# Senate Budget and Fiscal Review

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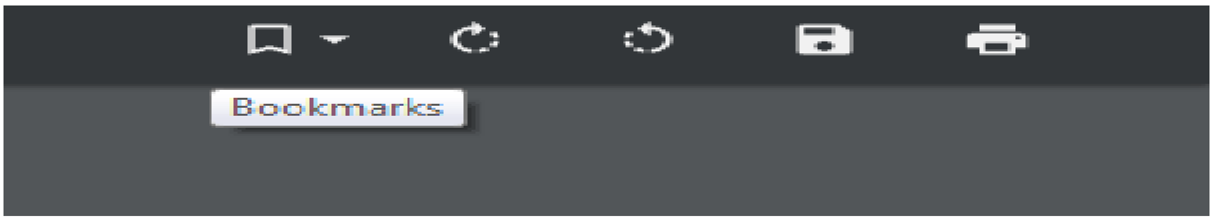


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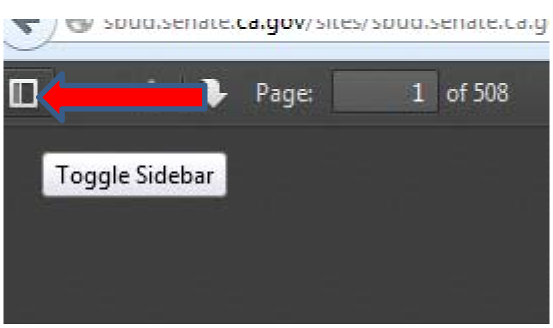


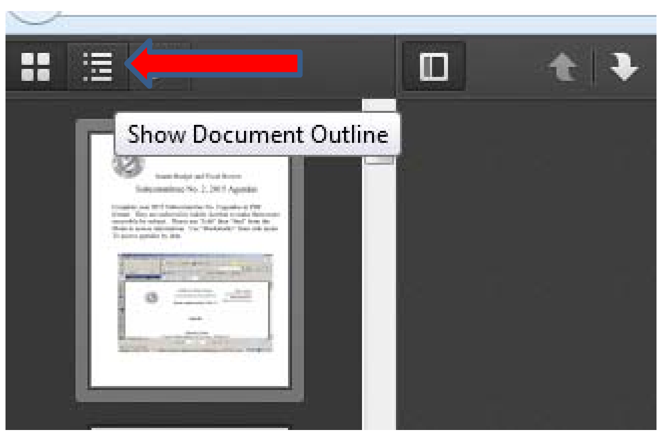

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

**SENATE ENVIRONMENTAL QUALITY COMMITTEE AND**
**SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE NO. 2 ON RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY**

SENATORS ALLEN AND BECKER
CHAIRS

9:00 Tuesday, February 13, 2024
1021 O Street, Room 2100

## JOINT OVERSIGHT HEARING

*Cap-and-trade rulemaking*

## AGENDA

**I. Opening remarks**

Senator Ben Allen, Chair, Senate Environmental Quality Committee
Senator Josh Becker, Chair, Senate Budget Subcommittee No. 2

**II. What's next for California's cap-and-trade program?**

Liane Randolph, Chair, California Air Resources Board (CARB)

**III. What is at stake in the current cap-and-trade rulemaking?**

Sarah Cornett, Fiscal and Policy Analyst, Legislative Analyst's Office
Katelyn Roedner Sutter, Assembly Appointee, Independent Emissions Market Advisory Committee
Catherine Garoupa, Chair, CARB Environmental Justice Advisory Committee
Danny Cullenward, Vice Chair and Senate Appointee, Independent Emissions Market Advisory Committee
Matthew Botill, Chief, Industrial Strategies Division, CARB

**IV. Public comment**

***Senate Budget and Fiscal Review—Scott Wiener, Chair***
**SUBCOMMITTEE NO. 2** **Agenda**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, February 29, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 1200**

Consultants: Diego Lopez, Eunice Roh, and Joanne Roy

**Item** **Department** **Page**

## DISCUSSION

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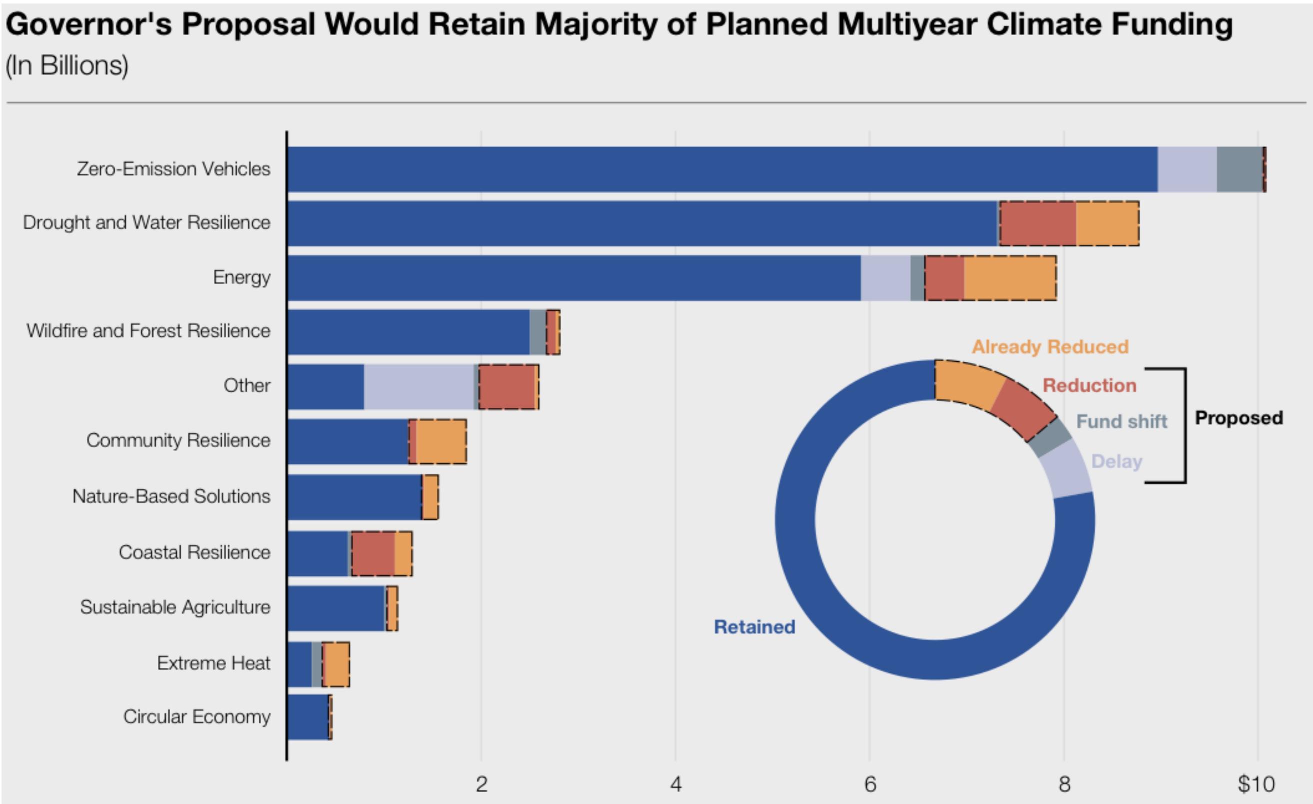
# DISCUSSION

**0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**
**0540 OCEAN PROTECTION COUNCIL**
**0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)**
**0650 OFFICE OF PLANNING AND RESEARCH (OPR)**
**0650 STRATEGIC GROWTH COUNCIL (SGC)**
**0690 OFFICE OF EMERGENCY SERVICES (CAL OES)**
**3125 CALIFORNIA TAHOE CONSERVANCY**
**3340 CALIFORNIA CONSERVATION CORPS (CCC)**
**3360 CALIFORNIA ENERGY COMMISSION (CEC)**
**3480 DEPARTMENT OF CONSERVATION (DOC)**
**3540 CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**
**3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)**
**3640 WILDLIFE CONSERVATION BOARD (WCB)**
**3760 STATE COASTAL CONSERVANCY (SCC)**
**3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**
**3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)**
**3825 SAN GABRIEL & LOWER LOS ANGELES RIVER AND MOUNTAINS CONSERVANCY (RMC)**
**3855 SIERRA NEVADA CONSERVANCY (SNC)**
**3860 DEPARTMENT OF WATER RESOURCES**
**3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY**
**3900 CALIFORNIA AIR RESOURCES BOARD (CARB)**
**3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**
**3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**
**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)**
**8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**
**8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)**

**Issue 1: Climate, Resources, and Environmental Budget Solutions**

**Governor's Proposal.** According to the Legislative Analyst's Office (LAO) report, *The 2024-25 Budget: Crafting Climate, Resources, and Environmental Budget Solutions* (February 2024):

The Governor's budget proposes $4.1 billion in General Fund Solutions for the 2024-25 budget problem. Similar to last year, the Governor relies on three strategies to achieve additional General Fund savings from climate, resources, and environmental programs across the budget window (2022-23 through 2024-25) — $2 billion from spending reductions, $1.1 billion from delaying spending to a future year, and $1 billion from reducing General Fund and backfilling with a different fund source (primarily using the Greenhouse Gas Reduction Fund [GGRF]). The amount of multiyear savings proposed across the combined budget window and forecast period (2023-24 through 2027-28) is somewhat less — $3.6 billion. This is the net result of some additional out-year reductions that are more than offset by the costs associated with the resumption of delayed expenditures.




*Source: LAO*

***Reductions.*** The Governor reduces $2 billion in General Fund support for selected programs across the budget window. In some of these cases, the proposal is to rescind funding that was provided in the current or prior year that departments have not yet expended. In others, the Governor proposes not providing funding in 2024-25 that was pledged as part of a recent budget agreement. For some programs, the Governor partially reduces the intended funding levels and for others the proposal completely eliminates the funding. Besides the $2 billion in reductions affecting the 2024-25 budget, the proposal reduces an additional $543 million from General Fund expenditures that recent budget agreements had planned for the out-years (2025-26 through 2027-28).

***Funding Delays.*** The Governor proposes delaying $1.1 billion in intended General Fund for certain programs, with the intent to provide it in a future year rather than within the budget window as originally planned. This would achieve near-term General Fund savings, but shift the associated costs to a future year. In addition to the $1.1 billion originally planned for the current or budget year, the Governor also proposes delaying $635 million in General Fund expenditures that had been planned for 2025-26.

***Fund Shifts.*** The Governor achieves an additional $1 billion in savings affecting the budget window by reducing or eliminating the intended General Fund for a program but then backfilling it with GGRF.

*Relies on GGRF to Maintain Funding for Certain Programs.* Of the $2.3 billion in GGRF that the administration estimates is available for discretionary expenditures in 2024-25, the Governor proposes using more than three-quarters to backfill proposed General Fund reductions, including the $1 billion in fund shifts for climate and environmental programs. This includes $557 million in current-year expenditures (primary within the ZEV package) for which the Governor is requesting that the Legislature take early action to reduce General Fund and backfill it with GGRF. (The administration has requested that administering departments pause their spending of authorized General Fund for these programs to avoid eroding these potential current-year savings.)

The Governor also proposes delaying $600 million in planned GGRF spending for ZEV programs from 2024-25 to 2027-28. While this does not directly result in General Fund savings, it has the effect of freeing up additional GGRF resources in 2024-25 which can then be redirected for alternative purposes (such as the proposed fund shifts, which do generate budget solutions). The Governor also would sustain previous plans to provide $600 million from GGRF for the ZEV package in 2025-26 and 2026-27.

***Climate-Energy Packages.*** To help provide a better understanding of what is being proposed for reductions, delays, and shifts, the following sections are broken down by thematic packages, describing recent budget augmentations over the past few years, the Governor's budget proposal, and the LAO's assessment.

## ZERO-EMISSION VEHICLES

*Recent Budget Agreements Included $10 Billion Over Several Years for ZEV Programs.* The 2021-22 and 2022-23 budgets included plans to provide a combined $10 billion over several years to different departments for a collection of activities intended to promote statewide adoption of ZEVs. Of this initial funding plan, the majority of support was from the General Fund ($6.3 billion), but also included $1.6 billion from Proposition 98 General Fund, $1.3 billion from GGRF, and about $700 million combined from federal and other special state funds. Funded activities included programs for both light- and heavy-duty vehicles, such as vehicle purchase incentives and projects to expand the state's vehicle charging network.

The 2023-24 budget agreement made some changes to this original package in light of the evolving General Fund condition. Specifically, it reduced multiyear funding for several programs by a total of $845 million. This included reducing $550 million for transit buses and infrastructure, $150 million for school buses and infrastructure, and $85 million for ports. However, the current-year agreement also added money for a new flexible ZEV transit capital program that provides formula funding to transit agencies which they can use to support zero-emission buses and related infrastructure and/or to cover their operating expenses. This program is funded with GGRF and intended to provide $910 million over four years, thereby more than offsetting the reductions in terms of total multiyear planned ZEV spending. To achieve General Fund savings, the 2023-24 budget package also included a number of fund shifts to use GGRF revenues in place of some planned General Fund (including for out-year expenditures) and delayed certain intended spending to 2026-27.

**Governor's Proposed Changes to ZEV Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| School buses and infrastructure | CARB | $1,525[c] | $1,390[c] | — | $1,390[c] |
| | CEC | 425[c] | 410[c] | — | 410[c] |
| Clean trucks, buses, off-road equipment | CARB | 1,100 | 1,100 | — | 1,100 |
| | CEC | 670[d] | 670[d] | —[f,g] | 670[d] |
| ZEV fueling infrastructure grants | CEC | 870 | 870[d] | —[f,g] | 870[d] |
| Transportation package ZEV | CalSTA | 790[e] | 790[e] | — | 790[e] |
| Clean Cars 4 All | CARB | 656[d] | 656 | —[f] | 656[d] |
| Clean Vehicle Rebate Project | CARB | 525 | 525 | — | 525 |
| Drayage trucks and infrastructure | CEC | 500 | 500[d] | —[f] | 500[d] |
| | CARB | 445 | 445[d] | —[f,g] | 445[d] |
| Sustainable community plans and strategies | CARB/CalSTA | 339 | 339[d] | —[f] | 339[d] |
| Equitable At-Home Charging | CEC | 300 | 300[d] | —[f] | 300[d] |
| ZEV manufacturing grants | CEC | 250 | 250 | -$7 | 243 |
| Ports | CARB | 250 | 185 | — | 185 |
| | CEC | 150 | 130 | — | 130 |
| Transit buses and infrastructure | CARB | 520 | 140 | — | 140[d] |
| | CEC | 230 | 60 | —[g] | 60 |
| Emerging opportunities | CARB | 100 | 100 | — | 100 |
| | CEC | 100 | 100 | -7 | 93 |
| Charter boats compliance | CARB | 100[d] | 100 | —[f] | 100 |
| Near-zero heavy duty trucks | CARB | 45 | 45 | — | 45 |
| Drayage trucks and infrastructure pilot | CARB | 40 | 40 | -14 | 26 |
| | CEC | 25 | 25 | -9 | 16 |
| ZEV consumer awareness | GO-BIZ | 5 | 5 | — | 5 |
| Hydrogen infrastructure | CEC | 60 | — | — | — |
| Flexible ZEV transit capital program | CalSTA | — | 910[d,h] | — | 910[d] |
| **Total** | | **$10,020** | **$10,085[h]** | **-$38** | **$10,047** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes Proposition 98 General Fund.
[d] Includes Greenhouse Gas Reduction Fund (GGRF).
[e] Includes federal funds.
[f] Delays to 2027-28.
[g] Fund shift to GGRF.
[h] The 2023-24 budget agreement made $845 million in program reductions and added $910 million across four years for a new flexible ZEV transit program.

Note: Totals may not add due to rounding

ZEV = zero-emission vehicle; CARB = California Air Resources Board; CEC = California Energy Commission; CalSTA = California State Transportation Agency; and GO-Biz = Governor's Office of Infrastructure and Economic Development

*Source: LAO*

*Governor's Proposal: Reduces $38 Million, Delays $600 Million, and Shifts $475 Million to GGRF.* The Governor's budget proposes to reduce net multiyear spending for ZEV activities by $38 million relative to the 2023-24 budget package. The proposal also includes delays and fund shifts. Specifically:

- **Modest Reductions to Four Programs ($38 Million).** The budget makes reductions to the following programs: California Energy Commission (CEC) ZEV manufacturing grants ($7 million), CEC emerging opportunities ($7 million), and the California Air Resources Board (CARB) and CEC drayage trucks and infrastructure pilot projects ($14 million and $9 million, respectively).

- **Funding Delays ($600 Million).** The Governor proposes delaying a total of $600 million in planned expenditures from GGRF for seven programs from 2024-25 to 2027-28. (This delay has the net effect of freeing up $600 million in GGRF funds in the budget year, which the Governor then uses to backfill General Fund reductions for other programs. The proposal also would commit a like amount of GGRF in 2027-28 for the delayed expenditures.) The affected programs are: CEC ZEV fueling infrastructure grants ($120 million); CEC clean trucks, buses, and off-road equipment ($137 million); Clean Cars 4 All ($45 million); CEC and CARB drayage trucks and infrastructure ($50 million and $48 million, respectively); CARB sustainable community plans and strategies ($100 million); CEC Equitable At-Home Charging ($80 million); and CARB charter boats compliance ($20 million). The administration notes that prior-year funding is available for most of these programs to meet applicant demand in the interim.

- **Current-Year Shift to GGRF ($475 Million, Early Action).** The budget proposes shifting $475 million of current-year ZEV expenditures from General Fund to GGRF for the following programs: ZEV fueling infrastructure grants ($219 million); drayage trucks and infrastructure ($157 million); transit buses and infrastructure ($29 million); and clean trucks, buses, and off-road equipment ($71 million). This proposed change is enabled by higher-than-projected cap-and-trade auction revenues materializing in the current year. The Governor is requesting that the Legislature take early action to effectuate this fund shift so that programs can proceed with making grant awards this spring.

*ZEV: LAO Comments.*

***Legislature Could Consider Alternative and/or Additional Reductions.*** While there is significant unspent funding planned for the budget year and out-years in the ZEV package, most of this funding is from GGRF. Consequently, making reductions would not automatically generate General Fund savings. However, the Legislature could achieve further budget solution if it were to reduce GGRF spending on ZEV activities, make additional General Fund reductions elsewhere, then redirect the freed-up GGRF to backfill those other priorities. Based on available data on remaining funds, the Legislature could consider reducing the following:

- **School Bus and Infrastructure (About $1 Billion in Proposition 98 General Fund).** The 2022-23 budget package established a new program to fund zero-emission school buses and related infrastructure administered by CARB and CEC. The Legislature previously approved $500 million of Proposition 98 General Fund to fund the first round of grants and adopted intent language to allocate additional funding in the future. The Governor's budget provides an additional $500 million of Proposition 98 General Fund for a second round of grants in 2024-25. The administration has indicated it is in the process of, but has not yet allocated, the original grant funding. With this in mind, the LAO recommends the Legislature: (1) consider reverting the prior funding (about $500 million) to achieve General Fund savings, and (2) reject the new $500 million proposed in the budget year.

- **Buses and Off-Road Equipment (At Least $249 Million).** CARB has used its appropriations for this category of activities to fund its Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program. Expenditure data suggest $249 million of the GGRF previously appropriated for this program is unspent and could be reverted and redirected to achieve General Fund savings elsewhere. CEC also received funding in this category but the administration had not provided data on CEC's expenditures as of this writing.

- **Charter Boats Compliance ($60 Million).** CARB closed its grant solicitations for this program in December 2023 and currently is reviewing applications. Approximately $40 million of General Fund plus $20 million of GGRF remains in the balance. The Legislature could consider reverting this $60 million but likely would have to take early action in order to capture the savings as CARB is in the process of preparing to award the funds.

- **Emerging Opportunities ($47 Million).** CARB is using this funding for ZEV technology demonstration projects. Of the $53 million General Fund originally allocated, $47 million remains in the program's balance and could be reverted for General Fund savings.

- **CEC ZEV Program Funding (Unknown, Potentially Several Hundreds of Millions of Dollars).** Updated information on CEC's ZEV package expenditures was not available at the time of this writing. Based on historical CEC ZEV spending timelines, the LAO suspects that several hundreds of millions of dollars of unspent funding could be available. The LAO will provide more information to the Legislature after the LAO receives these data from the administration.

## WATER AND DROUGHT

*Recent Budget Agreements Included $8.8 Billion Over Several Years for Water and Drought-Related Activities.* The 2022-23 budget appropriated and intended to provide a combined $8.8 billion ($8.3 billion from the General Fund and about $450 million from other funds) over several years to various departments for emergency drought response and water resilience activities. Nearly half of the funding ($4 billion) was to support activities related to drinking water quality and availability, water recycling and groundwater cleanup, water supply, and flood management. About $1.4 billion was intended for immediate drought response activities, such as for the State Water Resources Control Board (SWRCB) to respond to drinking water emergencies. The remaining funding ($3.3 billion) was to support habitat restoration, water quality, and conservation activities. The 2023-24 budget agreement reduced total multiyear funding by $632 million General Fund (7 percent). Major reductions included $278 million for water recycling, $119 million for Salton Sea restoration activities, and $60 million for local assistance grants related to implementation of the Sustainable Groundwater Management Act.

*(Continued on next page)*

## Governor's Proposed Changes to Water and Drought Resilience Package

General Fund Unless Otherwise Noted[a] (In Millions)

| Program | Department | Original Multiyear Total[b] | Revised Multiyear Total[c] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| **Drinking Water, Water Supply, Flood** | | **$4,025** | **$3,732** | **-$224** | **$3,508** |
| Drinking water, wastewater projects | SWRCB | $1,700 | $1,700 | — | $1,700 |
| Water recycling, groundwater cleanup | SWRCB | 800 | 522 | -$174[d] | 348 |
| Water conveyance, water storage | DWR | 700 | 700 | — | 700 |
| Flood management and planning | DWR | 644 | 644 | — | 644[e] |
| Dam safety | DWR | 100 | 100 | -50 | 50 |
| Aqueduct solar panel pilot study | DWR | 35 | 20 | — | 20 |
| Watershed climate studies | DWR | 25 | 25 | — | 25 |
| Water storage tanks | DWR | 21 | 21 | — | 21 |
| **Immediate Drought Response** | | **$1,439** | **$1,409** | **-$27** | **$1,382** |
| Community drought relief | DWR | $800 | $800 | — | $800 |
| Data, research, communications | Various | 202 | 202 | — | 202 |
| Water rights activities | SWRCB | 113 | 113 | — | 113[e] |
| Drought contingency control section | Various | 96 | 96 | — | 96 |
| Forecasting water supply/runoff | DWR | 101 | 101 | -$27 | 74[f] |
| Drinking water emergencies | SWRCB | 62 | 62 | — | 62 |
| Drought salinity barrier | DWR | 27 | 3 | — | 3 |
| Drought food assistance | DSS | 23 | 23 | — | 23 |
| Conservation technical assistance | DWR | 10 | 10 | — | 10[e] |
| Water refilling stations at schools | SWRCB | 5 | — | — | — |
| **Habitat/Nature-Based Solutions** | | **$1,208** | **$1,208** | **-$438** | **$770** |
| Wildlife and habitat projects | CDFW, DWR | $459 | $459 | — | $459 |
| Watershed climate resilience | WCB | 334 | 334 | -$312 | 22 |
| Watershed climate resilience | DWR | 161 | 161 | -126 | 35 |
| Aquatic/large-scale habitat projects | Various | 149 | 149 | — | 149 |
| Spending from various bonds | WCB, DWR | 105 | 105 | — | 105 |
| **Water Quality and Ecosystem Restoration** | | **$1,191** | **$1,027** | **-$102** | **$925** |
| Water resilience projects | CNRA | $445 | $445 | — | $445[e] |
| Streamflow enhancement program | WCB | 250 | 250 | — | 250 |
| Salton Sea | DWR | 220 | 101 | — | 101 |
| PFAs support | SWRCB | 200 | 155 | -$102 | 53 |
| Urban streams and border rivers | Various | 70 | 70 | — | 70 |
| Clear Lake | CNRA | 6 | 6 | — | 6 |
| **Conservation/Agriculture** | | **$916** | **$771** | **-$19** | **$752** |
| SGMA implementation | DWR | $356 | $296 | — | $296 |
| Water conservation programs | DWR | 180 | 180 | — | 180 |
| SWEEP | CDFA | 160 | 120 | —[g] | 120 |
| Multibenefit land repurposing | DOC | 110 | 90 | — | 90 |
| Agricultural conservation | DWR, CDFA | 70 | 45 | — | 45 |
| Relief for small farmers | CDFA | 25 | 25 | -$13 | 12 |
| On-farm technical assistance | CDFA | 15 | 15 | -6 | 9 |
| **Totals** | | **$8,779** | **$8,148** | **-$810** | **$7,337** |

[a] In total, about $450 million is from a variety of non-General Fund sources, including bond funds, federal funds, special funds, and reimbursements.
[b] Based on 2021-22 and 2022-23 budget agreements.
[c] Based on 2023-24 budget agreement.
[d] Governor proposes delaying $100 million from 2022-23 to 2025-26.
[e] Includes funding from sources other than General Fund.
[f] Original appropriation was $16.75 million ongoing. Governor proposes reducing annual amount to $10 million beginning in 2024-25.
[g] Governor proposes delaying $21 million until 2024-25 and shifting the fund source from General Fund to Greenhouse Gas Reduction Fund.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; DSS = Department of Social Services; CDFW = California Department of Fish and Wildlife; WCB = Wildlife Conservation Board; CNRA = California Natural Resources Agency; PFAs = per- and polyfluoroalkyl substances; SGMA = Sustainable Groundwater Management Act; SWEEP = State Water Efficiency and Enhancement Program; CDFA = California Department of Food and Agriculture; and DOC = Department of Conservation.

*Source: LAO*

*Governor's Proposal: Reduces $810 Million, Delays $100 Million, and Delays and Shifts $21 Million.* The Governor's budget proposes to reduce multiyear General Fund spending for water and drought resilience, relative to the 2023-24 budget agreement, by $810 million. (The $7.3 billion the Governor proposes to retain represents 84 percent of the original 2022-23 package.) The proposal would revert $100 million appropriated in earlier years for water recycling projects administered by SWRCB and delay providing it until 2025-26. Similarly, for the California Department of Food and Agriculture's (CDFA's) State Water Efficiency and Enhancement Program, the proposal would revert $21 million General Fund appropriated in earlier years and instead provide the same amount of funding from GGRF in 2024-25. Proposed reductions include:

- **Watershed Climate Resilience.** The budget proposes to reduce funding by $438 million ($126 million to the Department of Water Resources [DWR] and $312 million to the Wildlife Conservation Board [WCB]), retaining just 11 percent ($56 million) of the original amount. DWR indicates that the proposed reduction would affect the number of long-term projects it can fund but not its near-term program plan, which includes six pilot studies and a subsequent set of grants. While the reduction will lead to WCB awarding fewer grants, it has other funding sources available for these types of projects, including $43 million from Proposition 68 (2018) and annual support of $21 million from the Habitat Conservation Fund.

- **Water Recycling and Groundwater Cleanup: The proposal would reduce funding for groundwater cleanup by $55 million and for water recycling by $119 million (the 2023-24 budget already reduced funding by $278 million).** (The budget also would delay $100 million until 2025-26 for water recycling.) Relative to the original package, the budget would retain $348 million, or 43 percent for these two programs. SWRCB indicates it would prioritize providing low-cost financing for water recycling projects through its State Revolving Fund (SRF) programs and providing grants for water recycling and clean water projects in disadvantaged communities. In addition, the federal IIJA is providing more federal funding than normal for SRF programs between 2022 and 2026 ($1.16 billion for the Drinking Water SRF and $790 million for the Clean Water SRF), which can be used for water recycling and groundwater cleanup projects.

- **Per- and Polyfluoroalkyl Substances (PFAs) Support.** The proposal would reduce funding for addressing PFAs by $102 million (retaining $53 million, or 27 percent, of the original total, after accounting for additional reductions made in 2023-24). PFAs are long-lasting chemicals which are hard to break down and have been used in a variety of consumer and industrial products. Reduced funding would result in fewer and/or smaller state-funded grants. However, SWRCB will receive approximately $460 million in federal funds through its SRF programs from 2022 through 2026 to address "emerging contaminants," which include PFAs.

- **Dam Safety.** The budget would halve funding—from $100 million to $50 million—for dam safety pilot projects administered through a competitive grant program by DWR. The reduction would result in DWR funding fewer projects.

- **Agricultural Programs.** The budget would reduce funding for drought relief for small farmers by $13 million and for on-farm technical assistance by $6 million. (Relative to the original package, the budget would retain $21 million, or 53 percent, for these two programs.) CDFA indicates that demand for drought relief grants was lower than anticipated (it awarded about $12 million of the available $25 million), perhaps in part due to a similar program being offered through the Governor's Office of Business and Economic Development (GO-Biz). The on-farm technical assistance program was similarly undersubscribed, although CDFA indicates this could reflect the limited capacity of technical assistance providers, rather than the needs of farmers.

- **Forecasting Activities.** The budget would reduce an ongoing appropriation for DWR— from $17 million to $10 million annually—that supports water supply/runoff forecasting. Specifically, the reduction would result in conducting fewer aerial snow surveys and conducting them (and associated modeling) in fewer watersheds.

*Water and Drought: LAO Comments.*

***Legislature Could Consider Alternative and/or Additional Reductions.*** In light of the state budget condition, the Legislature has several options for additional and/or alternative reductions from the water and drought resilience package.

- **Water Storage Projects ($500 Million in 2025-26).** The administration's original proposal for this funding noted that it would build on the $2.7 billion provided by Proposition 1 (2014) for water storage projects, yet specific details on how the funds would be used have not been provided. Given this funding has not yet been appropriated, eliminating it likely would be less disruptive compared to certain other options before the Legislature.

- **Drinking Water Project Grants ($200 Million).** While these programs are important, the state currently has an unprecedented amount of federal funding available for these purposes through the federal SRFs. In addition, state statute requires an annual GGRF appropriation of $130 million (through 2030) to SWRCB for the same types of drinking water projects. As such, the state could continue to pursue its goals and focus on the drinking water needs of disadvantaged communities even with a reduction in General Fund support.

- **Water Recycling (Reduce Rather Than Delay $100 Million).** Although eliminating this funding—rather than delaying it, as proposed by the Governor—would reduce the number of projects SWRCB could support with state funding (which is more flexible than federal funding), other funding sources are available for these projects. Specifically, SWRCB can use federal funds provided through the SRF for water recycling projects.

- **Revert Unspent Funding Provided in Earlier Budgets.** Of the $6.5 billion General Fund already appropriated for water and drought resilience packages across 2021-22, 2022-23, and 2023-24, the Governor proposes reducing about $524 million of uncommitted funds (as discussed above). Based on the LAO's review of other uncommitted funds, the Legislature could consider additional reductions of close to $775 million. For example, SWRCB has about $300 million in uncommitted funds for drinking water/wastewater programs. SWRCB expects to commit a good portion of this funding between April and June, with an estimated $65 million remaining by the end of the 2023-24 fiscal year. Consequently, depending on how much of this funding the Legislature wished to pull back, it may have to act quickly to capture the potential savings that currently are available. While these programs remain important, particularly among disadvantaged communities, SWRCB could partially offset reductions with federal SRF funding and its annual GGRF appropriation. Additionally, CNRA has approximately $228 million in uncommitted funds for water resilience grants. The administration indicates it will select awardees in the March/April time frame, meaning the Legislature would have a short window to act and reduce these funds to solve the budget problem. Other examples include $50 million for dam safety (given the Governor already proposes a reduction of the other $50 million, an additional reduction would eliminate the pilot program) and $104 million for WCB's streamflow enhancement program.

## ENERGY

*Recent Budget Agreements Included $7.9 Billion Over Several Years for Energy Programs.* The 2021-22 and 2022-23 budgets included plans to provide a combined $7.9 billion ($6.9 billion from the General Fund and about $1 billion from other funds) over several years to different departments for an energy package.

Funded activities focused primarily on three categories—reliability, clean energy, and ratepayer relief. (In addition to programs shown in the figure below, the recent agreements included $1 billion for CERIP implementation and a Climate Innovation program, both of which are discussed in the "Other Recent Augmentations" below.) On net, the 2023-24 budget agreement reduced total multiyear funding by $944 million. Major reductions included $549 million from the California Arrearage Payment Program at the Department of Community Services and Development, $270 million from the Residential Solar and Storage Program at the California Public Utilities Commission (CPUC), $105 million from the Distributed Energy Backup Assets (DEBA) program at CEC ($100 million of which was redirected to the Investments in Strategic Reliability Assets program at DWR for no net budget savings), and $50 million from the program providing incentives for long-duration storage. In addition, the 2023-24 adjustments to the energy package included numerous funding delays as well as shifts totaling about $1 billion from the General Fund to GGRF.

*(Continued on next page)*

**Governor's Proposed Changes to Energy Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| Investments in Strategic Reliability Assets | DWR | $2,370 | $2,470[f] | —[d] | $2,470 |
| California Arrearage Payment Program | CSD | 1,200 | 651 | — | 651 |
| Equitable Building Decarbonization | CEC | 922 | 922[c] | -$283[e] | 639 |
| Residential Solar and Storage | CPUC | 900 | 630[c] | —[d] | 630 |
| Distributed Electricity Backup Assets | CEC | 700 | 595[f] | —[d] | 595 |
| Long duration storage | CEC | 380 | 330[c] | —[e] | 330 |
| Demand Side Grid Support | CEC | 295 | 295 | — | 295 |
| Transmission Financing | IBank | 250 | 225 | — | 225 |
| Oroville pump storage | DWR | 240 | 240 | —[d] | 240 |
| Equitable Building Decarbonization—TECH Initiative | CPUC | 145 | 145[c] | — | 145 |
| Carbon removal innovation | CEC | 100 | 75 | -40 | 35 |
| Industrial decarbonization | CEC | 100 | 90[c] | -22 | 68 |
| Hydrogen grants | CEC | 100 | 100 | -35 | 65 |
| Food Production Investment Program | CEC | 75 | 65[c] | -19 | 46 |
| Offshore wind infrastructure | CEC | 45 | 45 | — | 45 |
| Equitable Building Decarbonization—Refrigerants | CARB | 40 | 40 | — | 40 |
| Capacity building grants | CPUC | 30 | 30 | -20 | 10 |
| Energy modeling | CEC | 7 | 7 | — | 7 |
| DOE grid resilience match | CEC | 5 | 5 | — | 5 |
| Distributed energy workload | CPUC | 5[g] | 5[g] | — | 5[g] |
| Hydrogen Hub | GO-Biz | 5 | 5 | — | 5 |
| Energy data infrastructure and analysis | CEC | 5 | 5 | — | 5 |
| AB 525 implementation | Various | 4[h] | 4[h] | — | 4[h] |
| Support for reliability | DWR | 3 | 3 | — | 3 |
| **Totals** | | **$7,926** | **$6,982** | **-$419** | **$6,563** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes Greenhouse Gas Reduction Fund (GGRF).
[d] Proposed funding delays.
[e] Proposed fund shift to GGRF.
[f] Reflects $100 million transferred from Distributed Electricity Backup Assets to DWR Strategic Reliability Assets.
[g] Public Utilities Commission Utilities Reimbursement Account.
[h] Includes $1.5 million Energy Resources Program Account and $2.6 million General Fund.

DWR = Department of Water Resources; CSD = Department of Community Services and Development; CEC = California Energy Commission, CPUC = California Public Utilities Commission; IBank = California Infrastructure and Economic Development Bank; CARB = California Air Resources Board; DOE = Department of Energy; and GO-Biz = California Governor's Office of Business and Economic Development

*Source: LAO*

*Governor's Proposal: Reduces $419 Million, Delays $505 Million, and Shifts $144 Million to GGRF.* Also shown in the figure above, the Governor's budget proposes to reduce net multiyear spending for energy activities by $419 million relative to the 2023-24 budget package. (This would retain 83 percent of the original intended amount.) The proposal also includes funding delays for four programs totaling $505 million. Finally, the Governor shifts $144 million for two programs from the General Fund to GGRF (Equitable Building Decarbonization and incentives for long-duration storage). Major proposed program changes include:

- **Funding Delays for Four Programs.** The proposal delays funding for (1) Residential Solar and Storage (instead of $75 million in 2024-25 and $125 million in 2025-26, it would provide $100 million in both 2026-27 and 2027-28), (2) a pump storage project at the Oroville Dam complex (instead of $90 million in 2024-25 and $110 million in 2025-26, it would provide $100 million in both 2026-27 and 2027-28), (3) Investments in Strategic Reliability Assets (delays $55 million from 2024-25 to 2025-26), and (4) DEBA (reverts $50 million from 2023-24 and instead provides $25 million in both 2025-26 and 2026-27).

- **Equitable Building Decarbonization.** The budget proposes reducing overall funding for this CEC program by $283 million, retaining $639 million, or 69 percent, of the original allocation. This program is intended to support energy upgrades for low- and middle-income households and still is being developed by CEC. The reduction would result in fewer direct install incentives. (The Governor also proposes to shift $87 million for this program from General Fund to GGRF in 2024-25, which would have no programmatic effect.)

- **Carbon Removal Innovation Program.** This proposal would reduce this program by $40 million, adding to the $25 million reduction that was adopted in 2023-24. There is no further funding proposed for this program beyond the $35 million retained in 2022-23 (representing 35 percent of the original allocation).

- **Industrial Decarbonization.** The budget would reduce funding for this new CEC program that provides incentives for technologies that reduce emissions at industrial operations by $22 million, retaining $68 million from its original planned allocation of $100 million. The proposal would reduce the number of state-funded projects, but the program plans to leverage $90 million in federal Department of Energy (DOE) funds, which would help offset the reduction.

- **Hydrogen Grants.** The proposed reduction of $35 million would retain $65 million of the original amount for CEC to provide these grants. The administration noted this program is a good candidate for reductions due to more than $1 billion newly coming to California from DOE to support hydrogen energy development through the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES) initiative.

- **Food Production Investment Program.** This proposed reduction of $19 million would be in addition to $10 million reduced from the program in 2023-24. Relative to the original package, the budget would retain $46 million, or 62 percent, for this program. CEC expects it would support 10 to 14 fewer projects as a result of the proposed reduction.

- **Capacity Building Grants.** The original package provided $30 million across 2021-22 and 2022-23 to provide capacity grants to tribes and community-based organizations to participate in CPUC decision-making processes. CPUC has not yet spent this funding and the Governor proposes to reduce it by $20 million. To accommodate this reduction, CPUC would decrease its grant funding allocations by approximately 70 percent and forgo a planned technical assistance contract.

*Energy: LAO Comments.*

***Legislature Could Consider Alternative and/or Additional Reductions.*** In light of the state budget condition, the Legislature has several options for generating General Fund savings through making additional and/or alternative reductions from the energy package. Based on the best available data on remaining funds, the Legislature could consider reducing the following programs (all amounts from the General Fund unless otherwise noted).

- **Hydrogen Grants (Additional $65 Million).** The Legislature could consider a further reduction or elimination of the program's funding—beyond the $35 million proposed by the Governor—

due to the significant federal funding (more than $1 billion) newly available for hydrogen development in California through ARCHES. None of this funding has yet been committed.

- **Industrial Decarbonization (Additional $60 Million).** The Legislature could consider a further reduction or elimination of the program's funding beyond the $22 million proposed by the Governor. Federal funds are also available to support the goals of this program. This program has not yet begun dispersing funding.

- **Food Production (Additional $35 Million).** The Legislature could consider further reductions beyond the $19 million the Governor proposes for this program, which has only committed a small portion of its funding. However, if the Legislature wants to make additional reductions, it may have to take early action, as the administration plans to collect proposals later this spring. The funds the Governor proposes retaining for the program are from GGRF, not General Fund, but the Legislature could instead eliminate General Fund for a different program and redirect this GGRF to offset those reductions in order to achieve additional savings.

- **Transmission Financing ($225 Million).** Previous budgets appropriated $225 million to the California Infrastructure and Economic Development Bank to boost new electricity transmission in the state. The administration has not yet dispersed these funds, though it plans to do so later this spring. The Legislature could consider making reductions or eliminating this funding, but it may have to take early action. Additionally, federal energy funds the state is receiving to support grid reliability may be able to help offset reductions to this program.

- **DEBA ($543 Million).** As of this writing, data from the administration indicate this program (which is intended to provide incentive funding to promote more efficient backup energy resources) has $543 million from previously appropriated funds remaining in its balance. CEC indicates that it expects to release additional solicitations this spring. Given the large size of this allocation and that CEC has only spent a total of $2 million (on administrative costs) thus far, it seems a reasonable candidate for capturing additional savings. Depending on the level of savings needed, the Legislature could prioritize equity by making reductions to the portion of program funding not explicitly directed to disadvantaged communities (roughly half of the funding). Given CEC's plans to proceed with new grant solicitations this spring, the Legislature may have to consider early action if it wants to make reductions.

## WILDFIRE AND FOREST RESILIENCE

*Recent Budget Agreements Included $2.8 Billion for Wildfire Resilience-Related Activities.* Recent budget packages included a total of $2.8 billion over a four-year period—2020-21 through 2023-24—to support wildfire and forest resilience. Roughly 40 percent of the funding over the four years—$1.1 billion—was for programs designed to promote healthy forests and landscapes, generally by removing hazardous fuels. Just over one-quarter of the funding—$766 million—was to support the installation and maintenance of wildfire fuel breaks. The remaining funds—totaling $909 million—was for projects to increase regional capacity for conducting forest health projects, as well as to encourage forest-sector economic stimulus, science-based forest management, and community hardening. Of the $2.8 billion total, $2 billion was from the General Fund and the remaining $755 million was from GGRF. The 2023-24 budget agreement reduced net funding for various wildfire and forest-resilience activities by $47 million and shifted $14 million from the General Fund to Proposition 98.

The largest reduction—$25 million—was for efforts to steward state lands, intended to help CNRA departments bring buildings in high-fire-risk zones into compliance with new defensible space regulations that are under development pursuant to AB 3074 (Friedman), Chapter 259, Statutes of 2020. As shown in the figure below, after these reductions, the budget retained a multiyear total of $2.8 billion for wildfire and forest resilience activities (98 percent of the original planned amount).

*(Continued on next page)*

**Governor's Proposed Changes to Wildfire and Forest Resilience Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reductions | Proposed Multiyear Total[f] |
|---|---|---|---|---|---|
| **Resilient Forests and Landscapes** | | **$1,139** | **$1,114** | **$4** | **$1,110** |
| Forest Health Program | CalFire | $555[c] | $555[c] | — | $555[c] |
| Stewardship of state-owned land | Various | 305 | 280 | —[e] | 280[c] |
| Post-fire reforestation | CalFire | 100 | 100 | — | 100 |
| Forest Improvement Program | CalFire | 75[c] | 75[c] | — | 75[c] |
| Forest Legacy Program | CalFire | 49[c] | 49[c] | $4 | 45[c] |
| Tribal engagement | CalFire | 40 | 40 | — | 40 |
| Reforestation nursery | CalFire | 15 | 15 | — | 15 |
| **Wildfire Fuel Breaks** | | **$766** | **$766** | **$5** | **$761** |
| Fire prevention grants | CalFire | $475[c] | $475[c] | —[e] | $475[c] |
| Prescribed fire and hand crews | CalFire | 134[c] | 134[c] | $5 | 129[c] |
| CalFire unit fire prevention projects | CalFire | 90 | 90 | —[e] | 90[c] |
| Forestry Corps and residential centers | CCC | 67[c] | 67[c] | — | 67[c] |
| **Regional Capacity** | | **$528** | **$528** | **$28** | **$500** |
| Conservancy projects | Various Conservancies | $378 | $378 | $28 | $350 |
| Regional Forest Capacity Program | DOC | 150 | 150 | —[e] | 150[c] |
| **Forest Sector Economic Stimulus** | | **$170** | **$153** | **$44** | **$110** |
| Workforce training grants | CalFire | $54 | $53[d] | — | $53 |
| Biomass to hydrogen/biofuels pilot | DOC | 50 | 50 | $44 | 7 |
| Climate Catalyst Fund Program | IBank | 49 | 33 | — | 33 |
| Transportation grants for woody material | CalFire | 10 | 10 | — | 10 |
| Market development | OPR | 7 | 7 | — | 7 |
| **Science-Based Management and Other** | | **$120** | **$120** | **$9** | **$111** |
| Monitoring and research | CalFire | $38 | $38 | $6 | $32 |
| Remote sensing | CNRA | 30 | 30 | — | 30 |
| Prescribed fire liability pilot | CalFire | 20 | 20 | — | 20 |
| Permit efficiencies | CARB, SWRCB | 12 | 12 | — | 12 |
| State demonstration forests | CalFire | 10 | 10 | — | 10 |
| Interagency Forest Data Hub | CalFire | 10 | 10 | 3 | 7 |
| **Community Hardening** | | **$91** | **$86** | **$12** | **$74** |
| Home hardening | OES, CalFire | $50 | $50 | $12 | $38 |
| Defensible space inspectors | CalFire | 25 | 20 | — | 20 |
| Land use planning and public education | CalFire, UC ANR | 16 | 16 | — | 16 |
| **Totals** | | **$2,814** | **$2,767** | **$101** | **$2,666** |

[a] Based on early action amendments to 2020-21 budget, as well as 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes Greenhouse Gas Reduction Fund (GGRF).
[d] Reflects a reduction of $15 million dollars of General Fund, partially offset by $14 million in Proposition 98 General Fund.
[e] Includes a proposed fund shift to GGRF.
[f] In addition to the amounts displayed, the Governor would continue to maintain the statutory continuous appropriation of $200 million annually GGRF from 2024-25 through 2028-29 to support wildfire and forest resilience.

CalFire = California Department of Forestry and Fire Protection; CCC = California Conservation Corps; DOC = Department of Conservation; IBank = California Infrastructure and Economic Development Bank; OPR = Governor's Office of Planning and Research; CNRA = California Natural Resources Agency; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; OES = Governor's Office of Emergency Services; and UC ANR = University of California Agriculture and Natural Resources.

*Source: LAO*

*Governor's Proposal: Reduces $101 Million and Shifts $163 Million.* The Governor's 2024-25 budget proposes some additional General Fund reductions to the wildfire and forest resilience funding that was included in recent budget agreements. Cumulatively, the reductions would lower General Fund spending by $101 million across the following seven programs, while retaining a total of $2.7 billion for wildfire and forest resilience (95 percent of the original funding provided). In general, the proposed reductions will result in fewer projects being undertaken by each program. The affected programs consist of:

- **Forest Legacy Program.** This program funds conservation grants and easements with private landowners to protect forest land from conversion to non-forest uses and to support good management practices. The budget proposes to reduce funding by $4 million, retaining $45 million.

- **Prescribed Fire and Hand Crews.** This funding supports the California Department of Forestry and Fire Protection (CalFire) fuels reduction crews, as well as a CalFire contract with the California National Guard to perform vegetation management work. The costs of the National Guard crews ultimately were paid by the federal government, resulting in savings. The budget proposes to reduce funding by $5 million, retaining $129 million.

- **Conservancy Projects.** This funding was provided for multiple state conservancies to support projects aimed at improving resilience to wildfires. The budget proposes to reduce funding by $28 million ($9 .4 million from the San Diego River Conservancy, $9 million from the Coachella Valley Mountains Conservancy, $5.7 million from the Sacramento-San Joaquin Delta Conservancy, $2.3 million from the State Coastal Conservancy, and $1.3 million from the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy). While these reductions would lessen the number of projects that conservancies can undertake, it still would leave significant funding—$350 million—for conservancy-led wildfire resilience efforts.

- **Biomass to Hydrogen/Biofuels Pilot.** This funding was for a pilot administered by the Department of Conservation (DOC) aimed at creating hydrogen and/or liquid fuel from forest biomass. The budget proposes to reduce funding by $44 million (retaining $6.5 million). The retained funding has already been used for a first round of planning grants for project developers and DOC's administrative activities. The proposed reduction will mean that DOC will not move forward with an originally planned second round of grant funding, which had been expected to support the implementation of pilot projects.

- **Monitoring and Research.** This funding was to support various efforts—including by CalFire as well as universities and other researchers—to improve knowledge of forest conditions and the effectiveness of different practices to reduce the risk of wildfire spread or damage. The budget proposes to reduce funding by $6 million, retaining $32 million.

- **Interagency Forest Data Hub.** This funding was to create an Interagency Forest Data Hub. The budget proposes to reduce funding by $3 million, retaining $7 million.

- **Home Hardening.** This funding was provided to implement the wildfire mitigation assistance pilot program authorized by AB 38 (Wood), Chapter 391, Statutes of 2019, providing grants to homeowners in certain vulnerable communities for retrofits aimed at improving resilience to wildfires. The budget proposes to reduce funding by $12 million, retaining $38 million. The proposed reduction would mean fewer homes and communities would be included in the pilot.

In addition to the reductions discussed above, the budget shifts $163 million across four programs to GGRF, including (1) stewardship of state-owned lands ($34 .5 million), (2) fire prevention grants ($82 million, proposed for early action), (3) Regional Forest and Fire Capacity Program ($20 million), and (4) unit fire prevention projects ($26 million) . Notably, the Governor does not propose to make any changes to the $200 million continuous appropriation from GGRF for forest health and wildfire prevention that was authorized as part of the 2021-22 budget but is not fully reflected in the budget packages. Accordingly, in addition to the amounts in the figure above, under the Governor's plan, an additional annual $200 million from GGRF would be provided for these purposes in 2024-25 through 2028-29.

*Wildfire and Forest Resilience: LAO Comments.*

***Legislature Still Has a Few Potential Alternative and/or Additional Reductions It Could Make to Unspent Current- and Prior-Year Funds.*** The Legislature has a few other options that it could consider in addition to or in place of the Governor's proposed solutions. For example, the Legislature could replace some or all of the proposed fund shifts with reductions, which would make additional GGRF available for other critical legislative priorities. Additionally, the Legislature could consider (1) making reductions to programs that have significant uncommitted balances but are not included in the Governor's proposed solutions and/or (2) increasing the size of the reductions to certain programs beyond what the Governor proposes to capture the full uncommitted balance. Some potential options for these types of additional solutions include:

- **Tribal Engagement ($22 Million).** This program supports tribes in the planning and implementation of projects that advance wildfire resilience, forest health, and cultural use of fire. It has an uncommitted balance of $22 million General Fund, almost all of which is currently anticipated to be awarded sometime in summer 2024.

- **Forest Improvement Program ($22 Million).** This program provides financial assistance to private, nonindustrial forestland owners under cost-share agreements. This program has an uncommitted balance of roughly $22 million ($20 million of which is General Fund and $2 million of which is GGRF). Of this total, CalFire plans to award an $8 million block grant by April 2024 to allow partner organizations to offer similar assistance outside of the Forest Improvement Program. CalFire expects to award the remaining funding through its typical rolling solicitation process, which provides awards of a couple of million dollars every two months. The Legislature could consider reducing funding for this program, with the amount available for generating savings dependent on when the Legislature acts.

- **Prescribed Fire and Hand Crews ($31 Million GGRF).** In addition to the $5 million in uncommitted General Fund that the Governor proposes reducing, the program currently has roughly $31 million of uncommitted GGRF from prior appropriations. The Legislature could consider also reducing these funds and redirecting them to offset other General Fund costs. If it were to reduce funds for this program, CalFire would have less funding for fuel reduction work and research grants. The LAO notes that if the Legislature is interested in reducing the portion of this funding that CalFire uses for research grants ($4.5 million), taking early action would be important to reduce disruptions given the department plans to make those awards in May 2024.

- **Home Hardening Program ($13 Million).** This program has faced various implementation challenges and as such has roughly $25 million of General Fund that has not yet been committed. Accordingly, in addition to the Governor's proposed $12 million reduction, the Legislature could consider capturing an additional $13 million in General Fund savings. A reduction to the funding for the program would result in fewer homes and communities being included in the pilot.

**NATURE-BASED ACTIVITIES**

*Recent Budget Agreements Included $1.6 Billion for Nature-Based Activities.* Recent budget agreements included $1.6 billion on a one-time basis over three years—from 2021-22 through 2023-24—from the

General Fund for various departments to implement a variety of nature-based activities. As shown in the figure below, about one-third of the total funding—$495 million— was to support programs focused on acquiring and managing land for conservation and habitat restoration-related purposes. Just over one-quarter of the funding—$403 million—was to support wildlife protection programs. The remaining funding—totaling $667 million—was for regionally focused programs, youth and tribal programs, wetland-focused projects, and other types of activities. Many of the funded programs are related to helping the state achieve various goals and plans established by the administration over the past few years, such as the objective of conserving 30 percent of the state's lands and coastal waters by 2030 ("30x30") as established by the Governor's Executive Order N-82-20 and the Natural and Working Lands Climate Smart Strategies.

The 2023-24 budget agreement made General Fund reductions to planned nature-based activities totaling $155 million across five programs. The largest reduction—$100 million—was to funds provided to various conservancies across the state. Some other notable changes included reducing: $35 million for a WCB program to mitigate the impacts of climate change on wildlife, $10 million for the State Coastal Conservancy's (SCC's) San Francisco Bay wetlands support, and $6 million for the California Department of Fish and Wildlife's (CDFW's) Natural Community Conservation Program Planning and Land Acquisition program. After accounting for these reductions, the budget retained $1.4 billion for nature-based activities (90 percent of the original planned amount).

*(Continued on next page)*

## Governor's Proposed Changes to Nature-Based Activities Package

General Fund (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reduction | Proposed Multiyear Total |
|---|---|---|---|---|---|
| **Land Acquisition and Management Programs** | | **$495** | **$495** | **—** | **$495** |
| Various WCB programs | WCB | $245 | $245 | — | $245 |
| Habitat restoration | DWR | 200 | 200 | — | 200 |
| Opportunity coastal acquisition | SCC | 50 | 50 | — | 50 |
| **Wildlife Protection Programs** | | **$403** | **$368** | **—** | **$368** |
| Protect wildlife from changing conditions | WCB | $353 | $318 | — | $318 |
| Climate change impacts on wildlife | CDFW | 50 | 50 | — | 50 |
| **Regionally Focused Programs** | | **$383** | **$273** | **-$5** | **$268** |
| Conservancy funding | Various | $230 | $130 | — | $130 |
| Wildlife corridors (including Liberty Canyon) | CDFW and SMMC | 52 | 52 | — | 52 |
| San Joaquin Valley flood plain restoration | WCB | 40 | 40 | — | 40 |
| Natural Community Conservation Program Planning and Land Acquisition | CDFW | 36 | 30 | — | 30 |
| Climate Smart Land Management Program | DOC | 20 | 16 | — | 16 |
| Resource conservation strategies | WCB | 5 | 5 | -$5 | – |
| **Youth and Tribal Programs** | | **$152** | **$152** | **—** | **$152** |
| Local and tribal NBS corps programs | CCC | $49 | $49 | — | $49 |
| Tribal program | CNRA | 100 | 100 | — | 100 |
| Tribal staffing | CNRA | 3 | 3 | — | 3 |
| **Wetland Focused Programs** | | **$111** | **$101** | **-$10** | **$91** |
| Wetlands Restoration Program | CDFW | $54 | $54 | — | $54 |
| NBS Wetlands Restoration Program | DC | 36 | 36 | — | 36 |
| San Francisco Bay wetlands support | SCC | 11 | 1 | — | 1 |
| Redondo Beach wetlands restoration | CNRA | 10 | 10 | -$10 | – |
| **Other Programs** | | **$21** | **$21** | **—** | **$21** |
| CalCIS | CNRA | $18 | $18 | — | $18 |
| Partnerships and improvements | CNRA | 2 | 2 | — | 2 |
| California nature support | CNRA | 1 | 1 | — | 1 |
| **Totals** | | **$1,565** | **$1,409** | **-$15** | **$1,394** |

[a] Based on 2021-22 and 2022-23 budget agreements.

[b] Based on 2023-24 budget agreement.

WCB = Wildlife Conservation Board; DWR = Department of Water Resources; SCC = State Coastal Conservancy; CDFW = California Department of Fish and Wildlife; SMMC= Santa Monica Mountains Conservancy; DOC = Department of Conservation; NBS = Nature-based solutions; CCC = California Conservation Corps; CNRA = California Natural Resources Agency; DC = Delta Conservancy; and CalCIS = California Climate Information System.

| | | | | |
|---|---|---|---|---|
| **Totals** | **$2,814** | **$2,767** | **$101** | **$2,666** |

[a] Based on early action amendments to 2020-21 budget, as well as 2021-22 and 2022-23 budget agreements.

[b] Based on 2023-24 budget agreement.

[c] Includes Greenhouse Gas Reduction Fund (GGRF).

[d] Reflects a reduction of $15 million dollars of General Fund, partially offset by $14 million in Proposition 98 General Fund.

[e] Includes a proposed fund shift to GGRF.

[f] In addition to the amounts displayed, the Governor would continue to maintain the statutory continuous appropriation of $200 million annually GGRF from 2024-25 through 2028-29 to support wildfire and forest resilience.

CalFire = California Department of Forestry and Fire Protection; CCC = California Conservation Corps; DOC = Department of Conservation; IBank = California Infrastructure and Economic Development Bank; OPR = Governor's Office of Planning and Research; CNRA = California Natural Resources Agency; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; OES = Governor's Office of Emergency Services; and UC ANR = University of California Agriculture and Natural Resources.

*Source: LAO*

*Governor's Proposal: Reduces $15 Million.* As shown in in the figure above, the Governor's 2024-25 budget proposes to achieve $15 million in General Fund savings by eliminating funding for the following two nature-based activity-related programs:

- **Wetlands Restoration at Redondo Beach.** The original package provided $10 million for

CNRA to provide funding to the City of Redondo Beach to purchase a former power plant site on which the city would like to develop a regional park and restore historic wetlands. CNRA indicates that the city intended to use the funds to bid on the property at auction after the resolution of legal matters that are still pending. If the funding is eliminated as proposed, the city may not have sufficient funds to acquire the property, however, the timing of when the city might need the funds still is uncertain.

- **Regional Conservation Strategies.**The original package provided $5 million for a WCB program created by AB 2087 (Levine), Chapter 455, Statutes of 2016, that supports the development of voluntary, nonregulatory regional planning processes. This program also previously received $5 million in Proposition 68 funding in 2018. WCB expects the impact of the proposed General Fund elimination would be minimal because it still has remaining Proposition 68 funding for this same purpose.

After accounting for these reductions, the budget proposes to retain a total of $1.4 billion for nature-based activities (89 percent of the original planned amount).

*Nature-Based Activities: LAO Comments.*

***Legislature Could Consider Alternative and/or Additional Reductions From Unspent Current- and Prior-Year Funds.*** Based on the LAO's review of expenditure data, the LAO estimates that about $400 million remains uncommitted from various prior- and current-year nature-based activity-related program appropriations that the Governor does not propose reducing. Given the significant amount of uncommitted funding in this area, to the extent the Legislature needs to identify alternative and/or additional solutions, it has multiple options to consider. Some examples include:

- **Various WCB Programs ($102 Million).** These WCB programs support planning, acquisition, and restoration projects on natural and working lands. Currently, about $102 million of the $245 million originally provided for these programs remains uncommitted and could be considered for reduction. Such a reduction would mean fewer projects are completed. However, a significant amount of funding still would be retained, both in these programs as well as in other programs that support activities with similar objectives, such as CDFW's program to mitigate climate change impacts on wildlife and WCB's other programs. The LAO notes that WCB indicates that it plans to make additional awards for these programs in the coming months. Thus, if the Legislature would like to reduce funding for these programs, taking early action would maximize the amount of savings available.

- **WCB's Program to Protect Wildlife From Changing Conditions ($100 Million).** WCB originally received $353 million to protect wildlife from changing conditions. Of this amount, $218 million has been committed to projects and the 2023-24 budget package reduced $35 million. However, nearly $100 million remains uncommitted and thus could be considered as a potential solution. As with WCB's other programs discussed above, additional reductions would result in fewer projects, but the board still would maintain significant funding for similar activities from other sources. WCB indicates that it plans to make additional awards totaling roughly $30 million in the coming months, making this program another potential candidate for early action.

- **CNRA's Tribal Nature-Based Solutions Program ($97 Million).** This is a new program aimed at helping facilitate access, co-management, and ancestral land return. While providing funding to support tribes has merit in light of historical injustices, only about $3 million of the $100 million provided in 2022-23 or 2023-24 has been committed. Thus, the remaining $97 million could potentially be considered for reduction given the severity of the state's budget problem. The LAO notes, however, that the administration indicates that it expects to make awards as soon as April 2024, so should the Legislature want to consider reducing the funding, it would be advisable to take early action. (The LAO notes that the budget also proposes to convert a temporary staff position that supports this program to permanent status. Should the program be eliminated, that position would no longer be needed, resulting in a small amount of ongoing savings.)

- **SCC's Coastal Acquisitions ($49 Million).** This funding has been set aside for SCC to undertake acquisitions that help protect natural resources and provide for public access. Currently, roughly $49 million of the $50 million that was originally provided for this purpose remains uncommitted. SCC reports that it anticipates it ultimately would use the funding for a complex, significant acquisition opportunity which currently is in the appraisal phase.

- **Wetlands Restoration Program ($13 Million).** The original package provided $54 million for this CDFW program, which funds wetland and meadow restorations, and also supports a recently created Beaver Restoration Program. Of the $54 million, roughly $34 million remains uncommitted. CDFW anticipates awarding roughly $21 million early this spring, leaving $13 million the Legislature could reduce.

- **Wildlife Corridors ($20Million).** Of the $42 million originally provided to CDFW for wildlife corridors, roughly $20 million remains uncommitted and therefore could be considered for a budget solution. CDFW notes that it is reviewing proposals on a continuous basis, so the amount available for reduction would be dependent on when the Legislature takes action.

- **Climate Smart Land Management Program ($7.5 Million).** This is a new program administered by DOC that aims to increase the capacity of state partners to support natural working lands and 30x30 goals . Roughly $7 .5 million of the $16 million originally provided for this program remains uncommitted and DOC does not anticipate making awards until June or July 2024. Given the condition of the General Fund, the Legislature could make further reductions and use the first round of funding as a more limited pilot. It could then evaluate the outcomes of that funding before deciding whether it is worthy of future support.

## COMMUNITY RESILIENCE

*Recent Budget Agreements Provided $2.2 Billion for Community Resilience.* As shown in the figure below, recent budgets included $2.2 billion for programs focused on helping communities address the causes and impacts of climate change. Funding was provided across 2021-22 through 2024-25. The funds support both previously existing and newly established programs. For example, the largest share of the funding is for a program established in 2017—through AB 617 (C. Garcia), Chapter 136, Statutes of 2017—that supports efforts to reduce pollution and improve air quality in highly impacted communities. The same is true for the Transformative Climate Communities Program, which began in 2018 and funds community-led development and infrastructure projects. The remaining programs displayed in Figure 11 were initiated with funding provided in the recent budget packages.

The 2023-24 budget revised the funding for several of these programs to save $765 million General Fund through a combination of reductions and fund shifts. Specifically, the 2023-24 budget package included

$515 million in reductions (24 percent), delayed $50 million from 2023-24 to 2024-25, and shifted $250 million for the AB 617 program from the General Fund to GGRF. After accounting for the reductions, the budget retained $1.7 billion for community resilience activities across the multiyear period (76 percent of the original planned amount)—about $1 billion from GGRF and $607 million from the General Fund. As a separate but related action (not reflected in the figure), the budget doubled funding for the California Climate Action Corps program (from $4.7 million to $9.3 million per year beginning in 2023-24) and made the funding ongoing rather than ending in 2025-26 as originally planned.

**Governor's Proposed Changes to Community Resilience Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| AB 617 | CARB | $930[c] | $930[c] | — | $930[c] |
| Transformative Climate Communities Program | SGC | 420 | 215 | — | 215 |
| Community Resilience Centers | SGC | 270 | 110 | — | 110 |
| Regional Climate Resilience Program | OPR | 250 | 100 | -$75 | 25 |
| Methane monitoring satellites | CARB | 105[c] | 105[c] | — | 105[c] |
| Community air monitoring | CARB | 30[c] | 30[c] | — | 30[c] |
| Climate Adaptation and Resilience Planning Grants | OPR | 25 | 25 | -5 | 20 |
| Environmental Justice Initiative | CalEPA | 25 | 25 | — | 25 |
| Fifth Climate Assessment | Various | 22 | 22 | — | 22 |
| Regional Climate Collaboratives | SGC | 20 | 20 | -10 | 10 |
| School ventilation upgrades (CalSHAPE) | CEC | 20[c] | 20[c] | — | 20[c] |
| Fluorinated Gas Reduction Incentive Program | CARB | 15 | 15 | — | 15 |
| California Climate Action Corps | OPR | 15 | 15[d] | — | 15[d] |
| High-GWP refrigerants | CARB | 10[c] | 10[c] | — | 10[c] |
| Vulnerable Communities Platform and CalAdapt Mapping | OPR | 5 | 5 | — | 5 |
| Wood stove replacements | CARB | 5[c] | 5[c] | — | 5[c] |
| Regional planning for lithium extraction | CEC | 5 | 5 | — | 5 |
| **Totals** | | **$2,172** | **$1,657** | **-$90** | **$1,567** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes Greenhouse Gas Reduction Fund.
[d] 2023-24 budget agreement doubled the funding for this program and made it ongoing, which is not reflected here.

AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia); CARB = California Air Resources Board; SGC = Strategic Growth Council; OPR = Governor's Office of Planning and Research; CalEPA = California Environmental Protection Agency; CalSHAPE = California Schools Healthy Air, Plumbing, and Efficiency Program; CEC = California Energy Commission; and GWP = Global Warming Potential.

*Source: LAO*

*Governor's Proposal: Reduces $90 Million General Fund.* As shown in the figure above, the Governor proposes new General Fund reductions totaling about $90 million across a few programs in the community resilience package. These include $75 million from the regional climate resilience program, $9.8 million from regional climate collaboratives, and $5 million from the Climate Adaptation and Resilience Planning Grants Program. In a separate but related action (not reflected in the figure), the Governor proposes providing $250 million from GGRF for an additional year of support for the AB 617 program in 2024-25.

*Community Resilience: LAO Comments.*

***Proposal Captures Most Remaining General Fund but Legislature Could Consider Other Possible***

***Solutions.*** Based on LAO's review of expenditure data, some additional funding in the community resilience package remains uncommitted and could be considered for reductions. These include:

- **Climate Adaptation and Resilience Planning Grants ($10 Million).** Only $10 million of the $25 million provided for this program has been committed to date. While the Governor proposes reducing associated funding by $5 million, an additional $10 million would remain uncommitted. The administration currently is finalizing its guidelines for the next round of grants and expects to close applications and begin making awards in late spring or early summer.

- **Environmental Justice Initiatives (Between $5 Million and $15 Million).** The administration indicates that it is finalizing awards for the first round of these grants and expects to still have between have between $5 million and $15 million General Fund available for future grant cycles that would be initiated in the second half of 2024 or later. The Legislature could consider reducing the funding for these programs to achieve General Fund savings rather than moving forward with the next rounds of the grants.

- **Climate Action Corps Program (Up to $9.3 Million Ongoing Annually).** The 2023-24 budget package doubled annual funding levels for this program and made it ongoing. The Legislature could consider lowering or eliminating the ongoing commitment. While taking such action ultimately would result in fewer individuals participating in these activities, scaling back a recently initiated program likely would be less disruptive than making reductions to longstanding ongoing programs—which could become necessary if the fiscal situation worsens and the Legislature is unable to identify sufficient budget solutions elsewhere. Additionally, federal funding supports a similar program.

## COASTAL RESILIENCE

*Recent Budget Agreements Included $1.3 Billion for Coastal Resilience Activities.* As shown in the figure below, recent budgets included $1 .3 billion across four years (2021-22 through 2024-25) for a variety of activities to increase coastal resilience and adapt to the effects of sea-level rise. The package included funding for SCC for projects to protect the coast (including coastal watersheds) from the effects of climate change ($500 million), adapt to the effects of sea-level rise using nature-based approaches ($420 million), and adapt infrastructure to the effects of sea-level rise ($144 million). The package also included funding for the Ocean Protection Council (OPC) to support projects to protect and restore marine wildlife and ocean and coastal ecosystems ($117 million) and to implement SB 1 (Atkins), Chapter 236, Statutes of 2021, which aims to support local governments in sea-level rise planning ($102 million). The enacted 2023-24 budget reduced this overall funding by $183 million, primarily in SCC's coastal protection program.

*(Continued on next page)*

**Governor's Proposed Changes to Coastal Resilience Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Redutions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| Protecting the coast from climate change | SCC | $500 | $326 | -$171 | $155 |
| Adapting to sea-level rise | SCC | 420[c] | 420[c] | -159 | 261[c] |
| Adapting infrastructure to sea-level rise | SCC | 144[d] | 135[d] | -62 | 72[d] |
| Protecting the ocean from climate change | OPC | 117[e] | 117[e] | -35 | 82[e] |
| Implementing SB 1 | OPC | 102[d] | 102[d] | -25[f] | 77[g] |
| Adapting to sea-level rise in state parks | Parks | 12 | 12 | — | 12 |
| **Totals** | | **$1,295** | **$1,112** | **-$452** | **$660** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes $80 million from the Greenhouse Gas Reduction Fund (GGRF).
[d] Includes $38 million from GGRF.
[e] Includes $17 million from Proposition 68 (2018) bond funds.
[f] Governor proposes delaying $27 million from 2023-24 to 2024-45 and shifting the fund source for $37 million in 2024-25 from General Fund to GGRF.
[g] Includes $74 million from GGRF.

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; SB 1 = Chapter 236 of 2021 (Senate Bill 1, Atkins); and Parks = Departments of Parks and Recreation.

*Source: LAO*

*Governor's Proposal: Reduces $452 Million and Shifts $37 Million.* The Governor's budget proposes to reduce General Fund support for SCC by $392 million across its three programs and for OPC by $60 million across its two programs. In addition, for OPC's implementation of SB 1, the proposed budget would delay $27 million from 2023-24 to 2024-25 and shift the fund source for both that amount and the original $10 million planned in 2024-25 from the General Fund to GGRF. Relative to the original package, the proposed changes would result in 51 percent of funding retained, or $660 million of the original $1.3 billion. Reduced funding would limit the number of projects SCC can fund and could affect its ability to draw down future federal funding that requires a state match. SCC indicates it would focus on managing previously authorized projects and advancing recently selected priority projects by completing environmental reviews and permits and potentially securing additional federal funds. SCC recently applied for $150 million in federal funds and would be able to use its existing and retained funds for the required state match, but with the proposed reductions likely would not have sufficient matching funds to apply for future rounds of federal grants.

*Coastal Resilience: LAO Comments.*

***Proposal Eliminates Nearly All Unspent Coastal Funding.*** The Governor's proposal would reduce a significant share (49 percent) of funding from the coastal resilience package—proportionally more than any other of the thematic packages. One rationale for this approach is that a significant amount of SCC's funding has not been spent, making it easier to pull back to help solve the state's significant budget deficit without halting particular projects or reneging on specific spending commitments. LAO notes that a key reason this magnitude of funding still is available is because the Governor had proposed reducing it in the 2023-24 budget, not because there is a lack of activities to pursue. During budget negotiations— which lasted through June 2023—SCC could not make plans to spend funds that might not materialize. The funds ultimately were restored in the final budget agreement because the Legislature viewed these activities as significant priorities. However, given that the funds have not yet been awarded for specific projects, approving these proposed reductions likely would be less disruptive than other alternatives the Legislature may have to consider. In addition, based on the LAO's review of expenditure data, OPC has about $20 million in uncommitted funds that the Legislature also could consider reducing.

**SUSTAINABLE AGRICULTURE**

*Recent Budget Agreements Included $1.2 Billion for Sustainable Agriculture.* As shown in the figure below, past budgets committed a total of $1.2 billion ($916 million from the General Fund and $268 million from various special funds) for a package of programs related to promoting sustainable agriculture. This funding was provided from 2021-22 through 2023-24. Almost half of the funding was provided to CARB to support (1) agricultural equipment upgrades and replacements that reduce greenhouse gas and air pollutant emissions ($363 million) and (2) financial incentives to implement alternative practices to agricultural burning in the San Joaquin Valley ($180 million). The remaining funds—$641 million— were for a wide range of programs, mostly administered by CDFA. For example, $170 million was provided for the Healthy Soils Program, which allocates grants to implement practices that improve soil health, sequester carbon, and reduce greenhouse gas emissions.

The 2023-24 budget made several changes to the package. This included scoring $144 million in General Fund savings across various programs. Major reductions included $25 million from the Climate Catalyst Fund, $22 million from the Conservation Agriculture Planning Grants Program, and $15 million from the Pollinator Habitat Program. The budget package also reduced $65 million in General Fund from the Healthy Soils Program but partially backfilled it with $50 million from GGRF, resulting in a net reduction of $15 million. Overall, these actions resulted in a net reduction of $94 million in total funding—maintaining $1.1 billion, or 92 percent, of the previously approved funding levels.

*(Continued on next page)*

**Governor's Proposed Changes to Sustainable Agriculture Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|---|
| Agricultural diesel engine replacement and upgrades | CARB | $363[c,d] | $363[c,d] | — | $363[c,d] |
| San Joaquin Valley agricultural burning alternatives | CARB | 180 | 180 | — | 180 |
| Healthy Soils Program | CDFA | 170[c] | 155[c] | —[e] | 155[c] |
| Livestock methane reduction | CDFA | 100[c] | 100[c] | — | 100[c] |
| Farm to School Incubator Grant Program | CDFA | 90 | 90 | — | 90 |
| Conservation Agriculture Planning Grants Program | CDFA | 39 | 18 | — | 18 |
| Fresno-Merced Future of Food Innovation Initiative | CDFA | 30 | 30 | — | 30 |
| Pollinator Habitat Program | CDFA | 30 | 16 | — | 16 |
| Climate Catalyst Fund | Go-Biz | 25 | — | — | — |
| California Nutrition Incentive Program | CDFA | 20 | 20 | — | 20 |
| Healthy Refrigeration Grant Program | CDFA | 20 | 20 | -$9 | 12 |
| Transition to safer, sustainable pest management | CDFA | 18 | 18 | — | 18 |
| Farm to Community Food Hubs Program | CDFA | 15 | 15 | -14 | 1 |
| Urban Agriculture Program | CDFA | 12 | 12 | — | 12 |
| Technical assistance for underserved farmers | CDFA | 10 | 10 | — | 10 |
| Farmer training and farm manager apprenticeships | CDFA | 10 | 10 | — | 10 |
| Methane reduction through cattle feed | CDFA | 10[c] | 10[c] | — | 10[c] |
| Research in GHG reductions | CDFA | 10 | 5 | — | 5 |
| Invasive Species Council | CDFA | 10 | 5 | — | 5 |
| Sustainable California Grown Cannabis Pilot Program | CDFA | 9 | 1 | — | 1 |
| Assessment of regulatory requirements for agriculture | CDFA | 6 | 6 | — | 6 |
| Integrated pest management technical assistance | CDFA/DPR | 5 | 5 | — | 5 |
| Canine blood bank | CDFA | 1 | 1 | — | 1 |
| Senior Farmers Market Nutrition Program | CDFA | 1 | 1 | — | 1 |
| **Totals** | | **$1,184** | **$1,090** | **-$23** | **$1,067** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes funding from the GGRF.
[d] Includes funding from the Air Pollution Control Fund.
[e] Governor proposes reducing General Fund by $24 million in 2022-23 and backfilling with an equal amount from GGRF in 2024-25.

Note: Totals may not add due to rounding.

CARB = California Air Resources Board; CDFA = California Department of Food and Agriculture; Go-Biz = Governor's Office of Business and Economic Development; GHG = greenhouse gas; DPR = Department of Pesticide Regulation; GGRF = Greenhouse Gas Reduction Fund.

*Source: LAO*

*Governor's Proposal: Reduces $23 Million and Shifts $24 Million.* As shown in the figure above, the Governor proposes net reductions in General Fund support for two programs totaling $23 million. Additionally, the proposal would revert $24 million in General Fund provided to livestock methane reduction programs in 2022-23 and backfill the reduction with an equal amount from GGRF in 2024-25, resulting in no net programmatic funding impact. This will allow the state to both capture budget savings and still meet a matching requirement for federal funding ($77 million) that CDFA recently received. Compared to the original 2022-23 agreement, the Governor's budget would retain $1.1 billion, or 90 percent, of the originally approved funding levels for sustainable agriculture activities.

*Sustainable Agriculture: LAO Comments.*

***Proposal Captures Most— but Not All—Available General Fund Savings From Uncommitted Prior-Year Funds.*** Based on the LAO's review of program expenditure data, apart from the Governor's proposals, most remaining sustainable agriculture funds have already been fully awarded to projects or are expected to make final awards in the coming months. However, the LAO has identified one additional option the Legislature could consider for seeking additional or alternative savings:

- **Farm to School Incubator Grant Program ($50 million).** This program provides funding to schools to purchase locally grown foods, coordinate educational opportunities, and further collaboration and coordination between schools and producers. Of the $90 million the program was provided from the General Fund, CDFA has not yet solicited grant applications or made awards for roughly $50 million. (The department plans to make grant awards from this funding later this spring.) Given that the program is still relatively new (it began in 2020-21) and has uncommitted funds, the Legislature could reduce this funding and allow the program to continue operating at a scaled-down level with fewer grants than originally intended. The Legislature may need to take early action to prevent the department from proceeding with its grant application and award process and eroding these potential savings.

## CIRCULAR ECONOMY

*Recent Budget Agreements Included $468 Million for Circular Economy Activities.* As shown in the figure below, past budgets provided a total of $468 million ($138 million from the General Fund and $330 million from various special funds) for a package of programs related to promoting recycling and waste reduction. Funding was provided from 2021-22 through 2022-23. Circular economy funding went to nine programs, all of which are administered by the California Department of Resources Recycling and Recovery (CalRecycle). Roughly half of the funding ($240 million) was to support local jurisdictions in implementing the organic waste requirements established by SB 1383 (Lara), Chapter 395, Statutes of 2016. Significant funding also was provided to support (1) the expansion of organics recycling infrastructure, such as composting facilities ($105 million) and (2) the Recycling Market Development Zone (RMDZ) Loan Program, which provides loans to recycling businesses that prevent, reduce, or recycle recovered waste materials ($50 million).

The 2023-24 budget made three changes to the package that resulted in a net reduction of $24 million in total funding—maintaining $444 million or 95 percent of the previously approved funding levels. These reductions—all of which were intended to be supported by the General Fund—included $15 million from recycling feasibility grants, $5 million from community composting opportunities, and $4 million from the RMDZ Loan Program.

*(Continued on next page)*

**Governor's Proposed Changes to Circular Economy Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reduction | Proposed Multiyear Total |
|---|---|---|---|---|
| SB 1383 implementation grants | $240[c] | $240[c] | — | $240[c] |
| Organic waste infrastructure | 105[c] | 105[c] | — | 105[c] |
| RMDZ Loan Program | 50 | 46 | — | 46 |
| Co-digestion capacity | 30[c] | 30[c] | — | 30[c] |
| Recycling feasibility grants | 15 | — | — | — |
| Quality incentive payments | 10[d] | 10[d] | — | 10[d] |
| Compost Permitting Pilot Program | 8 | 8 | -$7 | 1 |
| Edible food recovery | 5 | 5 | — | 5 |
| Community composting opportunities | 5 | — | — | — |
| **Totals** | **$468** | **$444** | **-$7** | **$437** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Includes funding from the Greenhouse Gas Reduction Fund.
[d] Includes funding from the Beverage Container Recycling Fund.

SB 1383 = Chapter 395 of 2016 (SB 1383, Lara) and RMDZ = Recycling Market Development Zone.

*Source: LAO*

*Governor's Proposal: Reduces $7 Million.* As shown in figure above, the Governor proposes to reduce General Fund for the Compost Permitting Pilot Program by $7 million. This program has yet to announce when funding will be made available for grants. Ultimately, the proposed reduction would mean the program would not be able to provide local grants to support the siting and permitting of composting facilities. However, the remaining amount—about $1 million—will support a research contract that will identify statewide best practices for permitting these types of facilities, which could make potential future program activities even more effective. CalRecycle indicates that it awarded that contract in December 2023. Assuming this reduction, the Governor's proposal would retain $437 million, or 93 percent of the initially approved funding levels for sustainable agriculture activities.

*Circular Economy: LAO Comments.*

***Proposal Targets Available Remaining Uncommitted Funds.*** The Governor's proposal largely captures the remaining uncommitted funds from the circular economy package. Based on available information, nearly all of the programs within this package have fully awarded funds to projects or are expected to make final awards in the coming months. The Governor's proposal incorporates the one notable exception, the Compost Permitting Pilot Program.

**EXTREME HEAT**

*Recent Budget Agreements Included New Focus on Extreme Heat.* The past few years represent the first time the state provided significant funding explicitly to mitigate the impacts of extreme heat—originally planned for a total of $649 million from 2020-21 through 2023-24 ($634 million General Fund and $15 million GGRF). The figure below highlights these funding allocations. In some cases, the recent budget agreements created new programs such as the Extreme Heat and Community Resilience program within the Governor's Office of Planning and Research (OPR), which is a program aimed at boosting community-level preparation. The funding also supported some programs that existed previously but were not explicitly focused on mitigating extreme heat, such as the Urban Greening, Urban Forestry, and Low-Income Weatherization programs. In addition, funding was included for the Department of Industrial Relations to expand its existing outreach, education, and strategic enforcement efforts to improve worker protections from heat-related illnesses.

The 2023-24 budget package saved $303 million General Fund through a combination of making $245 million in reductions and shifting $58 million in expenditures from the General Fund to GGRF. The reductions included $175 million from the Urban Greening program, $40 million from the Extreme Heat and Community Resilience program, and $30 million from the Urban Forestry program. The fund shifts from General Fund to GGRF included $33 million for the Green Schoolyards program and $25 million for the Extreme Heat and Community Resilience program.

**Governor's Proposed Changes to Extreme Heat Package**

General Fund Unless Otherwise Noted (In Millions)

| Program | Department | Original Multiyear Total[a] | Revised Multiyear Total[b] | Proposed Reduction | Proposed Multiyear Total |
|---|---|---|---|---|---|
| Urban Greening Program | CNRA | $250 | $75 | —[c] | $75[d] |
| Extreme Heat and Community Resilience Program | OPR | 175 | 135 | -$40[c] | 95[d] |
| Urban Forestry Program | CalFire | 60 | 30 | — | 30 |
| Green Schoolyards Program | CalFire | 50 | 50[e] | — | 50[e] |
| Low Income Weatherization Program | CSD | 50 | 50[d] | — | 50[d] |
| Protections for vulnerable populations | CDPH, DIR, CDSS | 28 | 28 | —[f] | 28 |
| Community-based public awareness campaign | OPR | 20 | 20 | — | 20 |
| Farmworker Low-Income Weatherization Program | CSD | 15[d] | 15[d] | — | 15[d] |
| Animal Mortality Management Program | CDFA | 1 | 1 | — | 1 |
| Origin Inspection Program | CDFA | 1 | 1 | — | 1 |
| **Totals** | | **$649** | **$404** | **-$40** | **$364** |

[a] Based on 2021-22 and 2022-23 budget agreements.
[b] Based on 2023-24 budget agreement.
[c] Proposes to shift funding from General Fund to the Greenhouse Gas Reduction Fund (GGRF).
[d] Includes funding from GGRF.
[e] An additional $100 million for Green Schoolyards was provided through a budget control section, which is not reflected in the table.
[f] Proposes to shift funding from General Fund to the Labor and Workforce Development Fund.

CNRA = California Natural Resources Agency; OPR = Governor's Office of Planning and Research; CalFire = California Department of Forestry and Fire Protection; CSD = Department of Community Services and Development; CDPH = California Department of Public Health; DIR = Department of Industrial Relations; CDSS = California Department of Social Services; and CDFA = California Department of Food and Agriculture.

*Source: LAO*

*Governor's Proposal: Reduces and Shifts Funding.* The Governor proposes to save about $150 million General Fund through a combination of $109 million in fund shifts and $40 million in reductions. The proposed solutions include:

- **Extreme Heat and Community Resilience.** The proposal reduces the program by $40 million and shifts the remaining $70 million from General Fund to GGRF.
- **Urban Greening.** The proposal shifts $24 million from General Fund to GGRF.
- **Protections for Vulnerable Populations.** The proposal shifts $16 million from General Fund to the Labor and Workforce Development Fund.

*Extreme Heat: LAO Comments.*

***Legislature Could Capture Additional Savings by Reducing Rather Than Shifting Funds.*** Through a combination of reductions and fund shifts, the Governor's proposal eliminates nearly all of the uncommitted General Fund that was included as part of the extreme heat package. However, the Legislature could modify a couple of proposed solutions to further help the General Fund condition.

- **Urban Greening Program ($24 Million).** Due to the proposed fund shift, the administration has paused evaluation of grant requests for this program. Because the funding has not yet been committed, the Legislature could consider reducing the funding rather than shifting it to GGRF. Doing so would free up GGRF that the Legislature could then use to backfill additional General Fund reductions elsewhere.

- **Extreme Heat and Community Resilience Program ($95 Million).** None of the funding for this program has yet been committed. OPR plans to award $20 million during a first round of grant funding sometime this summer. Given the budget condition, in addition to the Governor's proposed $40 million reduction and in lieu of the proposal to shift $70 million to GGRF in 2024-25, the Legislature could consider eliminating all funding for the program. Doing so would save an additional $25 million General Fund and also free up $70 million in GGRF that could be used to backfill additional General Fund reductions elsewhere.

## OTHER RECENT AUGMENTATIONS

*Recent Budget Agreements Also Included One-Time Funding for Activities That Were Not Captured in the Thematic Packages.* Outside of the thematic packages highlighted in this report, recent budgets also provided or planned to provide one-time funding for a variety of climate and resources-related activities. The figure below shows several of these non-package augmentations totaling $2.7 billion, all from the General Fund. (The figure does not include a comprehensive list of all funding provided in recent budgets for environmental programs outside of the thematic packages, but rather just those the Governor is now proposing to modify as described below.) The largest of these augmentations include $1 billion planned over three years to implement CERIP, $500 million over three years to clean up brownfield sites, and $477 million mostly over two years for a new Climate Innovation Program intended to support California companies in advancing climate technologies. (The 2023-24 budget package reduced originally planned funding for the Climate Innovation Program from $525 million to $477 million. That is the only revision that has been made thus far to originally planned funding for the programs reflected in the figure below.)

*(Continued on next page)*

**Governor's Proposed Changes to Other Recent Augmentations**

General Fund (In Millions)

| Program | Department | Revised Multiyear Total[a] | Proposed Reductions | Proposed Multiyear Total |
|---|---|---|---|---|
| Clean Energy Reliability Investment Plan (SB 846) | CEC | $1,000 | —[b] | $1,000 |
| Brownfield cleanups | DTSC | 500 | —[c] | 500 |
| Climate Innovation Program | CEC | 477[d] | -$475 | 2 |
| Diablo Canyon Land Conservation and Economic Development (SB 846) | Various | 160 | —[e] | 160 |
| Urban Waterfront Program | Parks | 154 | -12 | 142 |
| Outdoor Equity Program | Parks | 115 | -25 | 90 |
| California Electric Homes Program | CEC | 75 | -6 | 69 |
| California Nutrition Incentive Program | CDFA | 35 | -33 | 2 |
| Enteric methane incentives | CDFA | 25 | -23 | 2 |
| Pesticide Notification Network | DPR | 10 | -3 | 7 |
| **Totals** | | **$2,551** | **-$578** | **$1,974** |

[a] Based on 2023-24 budget agreement.

[b] Governor proposes delaying $400 million from 2024-25 and $400 million from 2025-26. The proposal would instead provide $300 million in 2026-27 and $500 million in 2027-28.

[c] Governor proposes delaying $175 million from previously appropriated funds—$85 million until 2025-26 and $90 million until 2026-27.

[d] The 2023-24 budget reduced the original amount from $525 million to $477 million.

[e] Governor proposes delaying $150 million from 2024-25 until: 2025-26 ($50 million), 2026-27 ($50 million), and 2027-28 ($50 million).

SB 846 = Chapter 239 of 2022 (Senate Bill 846, Dodd); CEC = California Energy Commission; DTSC = Department of Toxic Substances Control; Parks = Department of Parks and Recreation; CDFA = California Department of Food and Agriculture; and DPR = Department of Pesticide Regulation.

*Source: LAO*

*Governor's Proposal: Reduces $578 Million and Delays $1.1 Billion to Later Years.* To achieve General Fund savings, the Governor's budget proposes an overall spending reduction totaling $578 million across the various activities shown in the figure, thereby retaining $2 billion, or 77 percent, of the revised 2023-24 amounts. The proposal also includes several significant funding delays, totaling $1.1 billion. This figure displays proposed reductions and resulting multiyear funding levels. Some key changes include:

- **CERIP—Delay.** SB 846 (Dodd), Chapter 239, Statutes of 2022, included a plan to provide a total of $1 billion to implement CERIP—$100 million in 2023-24, $400 million in 2024-25, and $400 million in 2025-26. The budget proposes to delay $800 million of this planned funding. Specifically, it would maintain $100 million each in 2023-24 and 2025-26, and provide $300 million in 2026-27 and $500 million in 2027-28. The overall funding level would stay the same but stretch over a longer period of time.

- **Brownfield Cleanups—Delay.** The Department of Toxic Substances Control (DTSC) received $300 million in 2021-22, $100 million in 2022-23, and $100 million in 2023-24 for cleanup activities. The budget proposes to revert $175 million from prior appropriations and delay providing it until 2025-26 ($85 million) and 2026-27 ($90 million). The overall funding level would stay the same but stretch over a longer period of time.

- **Climate Innovation Program—Reduction.** The 2023-24 budget provided $2 million in 2022-23 and planned to provide $475 million over 2024-25 and 2025-26 for the Climate Innovation Program. The Governor's budget proposes to reduce all $475 million in future spending, retaining just $2 million.

- **Diablo Canyon Land Conservation and Economic Development Plan—Delay.** SB 846 required CNRA to lead planning efforts for how to manage the conservation of Diablo Canyon lands and local economic development as the nearby nuclear power plant is decommissioned. SB 846 included intent language to provide $10 million in 2022-23 and $150 million in 2024-25 to support the plan. The budget proposes to keep the same overall funding level, but delay the $150 million in 2024-25 and instead provide $50 million in 2025-26, $50 million in 2026-27, and $50 million in 2027-28.

- **California Nutrition Incentive Program— Reduction.** The budget proposes to revert $33 million of CDFA's $35 million appropriation in 2023-24 for the California Nutrition Incentive Program. While the reduction would not affect any of CDFA's existing federal funding awards, it would affect CDFA's ability to draw down future federal funds through the Gus Schumacher Nutrition Incentive Program, as the department was planning to use these funds to meet its state fund matching requirements.

*Other Recent Augmentations: LAO Comments.*

***Legislature Could Consider Alternative and/or Additional Reductions.*** To the extent the Legislature needs to find alternative and/or additional solutions to those chosen by the administration, it has some options among the non-package augmentations. First, the Legislature could consider reducing rather than delaying some or all of the funding the Governor proposes shifting to a future year. Second, the Legislature could look at uncommitted balances in other non-package augmentations that the Governor has not targeted for solutions.

## OTHER RESOURCES AND ENVIRONMENTAL BUDGET SOLUTIONS

*Governor's Proposals.* In addition to the proposals above, the Governor's budget includes other General Fund solutions in the resources and environmental sectors, such as:

- **SWRCB: Underground Storage Tank (UST) Cleanup Fund—Loan.** A budgetary loan of $150 million, along with a one-year repayment deferral of an existing $50.7 million budgetary loan, from the UST Cleanup Fund to the General Fund is proposed from resources not currently projected to be used for operational or programmatic purposes.

- **CalRecycle: California Beverage Container Recycling Fund (BCRF)—Loan.** A budgetary loan of $125 million, along with a one-year repayment deferral of an existing $25 million budgetary loan, from BCRF to the General Fund is proposed from resources not currently projected to be used for operational or programmatic purposes.

- **Parks: Outdoor Equity Grants Program— Reduction.** A reduction of $25 million General Fund for outdoor environmental education and access programs through the Outdoor Equity Grants Program under AB 209 (Limon), Chapter 675, Statutes of 2019. The budget maintains $90 million General Fund previously allocated for this program.

- **CNRA: Urban Waterfront Funding—Reduction.** A reversion of $12.3 million General Fund for various projects in urban areas adjacent to rivers and waterways throughout the state. The budget maintains $142 million General Fund previously allocated for this program.

- **DPR: Pesticide Notification—Reduction.** A reversion of $2.6 million General Fund related to the Pesticide Notification Network previously appropriated in the 2021 Budget Act. The budget maintains $7.3 million previously allocated for this purpose.

*Please note that some proposals included in the Governor's Climate Budget Solutions are not included in this hearing's discussion. They were either not part of the original Climate-Energy Packages or they are better suited to be heard in other subcommittees, such as proposals related to goods movement workforce training facility and active transportation.*

**Background.** According to the LAO:

***Recent Budgets Included Significant General Fund Augmentations for Climate, Natural Resources, and Environmental Protection.*** Combined, the 2021-22 and 2022-23 budget agreements included notable amounts of new spending for a wide variety of activities related to mitigating and responding to climate change, as well as for protecting and restoring natural resources and the environment. These budget packages also included agreements to provide additional funding in future years for a six-year total of about $39 billion (2020-21 through 2025-26). Most of this funding was grouped into thematic packages, such as for ZEVs, wildfire and forest resilience, and water and drought-related activities. (Recent budgets also provided some additional augmentations for natural resources and environmental protection departments that we do not include in these totals. Additionally, this amount does not include some additional non-environmental funding that the administration sometimes includes in its "Climate Budget" totals.) The funding was spread across numerous departments and was primarily from the General Fund, but did include about $6 billion from other funds, mostly GGRF and Proposition 98 (dedicated school funding for kindergarten through community college, used here for zero-emission school buses). In general, these augmentations were all for activities that were one time or limited term in nature, such as providing grants for local entities to construct infrastructure or carry out habitat restoration projects. Some of the augmentations provided funding for activities to be undertaken by state agencies, such as to secure additional electricity resources intended to ensure summer electric reliability.

***General Fund Augmentations Represent Significant Departure From Historical Funding Trends.*** In most cases, the recent augmentations represent unprecedented levels of General Fund for these types of programs, many of which historically have been supported with special funds or bond funds. This anomalous General Fund spending was enabled by the significant tax revenue surpluses the state received (and expected to receive) over the past couple of years. Total annual funding (including both the recent one-time augmentations as well as baseline funds) for CDFA and the departments within CNRA and CalEPA, along with just the climate-specific funding provided to some additional departments through the thematic packages. In the years prior to 2021-22, spending on climate, natural resources, and environmental programs averaged around $10 billion annually, and General Fund typically made up roughly one-third of the totals. In contrast, from 2021-22 through 2023-24, average annual funding levels for these departments more than doubled, with the General Fund contributing more than half of the funding. In some cases, this short-term infusion of new funding has allowed the state to expand previous programs or initiate new activities, while in others the state is providing General Fund support to continue existing activities that previously were supported with other fund sources.

***Fiscal Downturn Led to Some Reductions and Modifications to Packages in 2023-24 Budget Agreement.*** To help address the General Fund shortfall that began materializing last year, the 2023-24 spending plan made a number of revisions—including reductions and delays—to the thematic packages agreed to in earlier budget deals. Specifically, the budget included General Fund reductions to the climate funding packages totaling $8.7 billion across 2021-22 through 2023-24, although it backfilled about $2 billion of that amount by shifting costs to other fund sources (particularly GGRF). Because the spending plan achieved some of those General Fund savings by delaying funding to future years and also anticipated additional out-year GGRF backfills, the planned net programmatic reduction from these packages across the multiyear period was only $2.8 billion. That is, the budget agreement intended to maintain $36 billion from a combination of funding sources (93 percent of the original total) from 2020-21 through 2026-27 for specified climate-related and natural resources activities.

**Revised Recent and Planned Augmentations to Climate, Resources, and Environmental Programs**

(In Millions)[a]

| Thematic Area | 2021-22[b] | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | Total |
|---|---|---|---|---|---|---|---|
| Zero-Emission Vehicles | $3,351 | $2,168 | $847 | $1,407 | $1,406 | $906 | $10,085 |
| Drought and Water Resilience | 5,244 | 1,145 | 587 | 584 | 554 | 17 | 8,131 |
| Energy | 2,245 | 2,193 | 1,333 | 539 | 621 | 51 | 6,982 |
| Wildfire and Forest Resilience | 1,478 | 620 | 669 | — | — | — | 2,767 |
| Nature-Based Activities | 106 | 1,016 | 286 | 1 | — | — | 1,409 |
| Community Resilience | 202 | 745 | 340 | 50 | — | — | 1,337 |
| Coastal Resilience | 19 | 431 | 653 | 10 | — | — | 1,112 |
| Sustainable Agriculture | 670 | 328 | 53 | — | — | — | 1,052 |
| Circular Economy | 198 | 245 | — | — | — | — | 443 |
| Extreme Heat | 80 | 128 | 197 | — | — | — | 404 |
| Other[c] | 579 | 127 | 295 | 675 | 875 | — | 2,551 |
| **Totals** | **$14,172** | **$9,146** | **$5,260** | **$3,266** | **$3,456** | **$974** | **$36,273** |

[a] Reflects 2023-24 budget agreement. Includes roughly $28 billion from the General Fund and $8.3 billion from other fund sources, including the Greenhouse Gas Reduction Fund and Proposition 98.

[b] Also includes $520 million provided in 2020-21, mostly for wildfire and forest resilience activities.

[c] Includes funding for various environmental-related programs not incorporated in thematic packages, including to implement the Clean Energy Reliability Investment Plan, brownfields cleanup, and the Climate Innovation Program.

***State Faces a Multiyear, Multibillion-Dollar Budget Problem.*** Due to a deteriorating revenue picture relative to expectations from June 2023, both the LAO and the administration anticipate that the state faces a significant multiyear budget problem. A budget problem—also called a deficit— occurs when funding for the current or upcoming budget is insufficient to cover the costs of currently authorized services. Estimates of the magnitude of this shortfall differ based on how "baseline" spending is defined—the administration estimates a $38 billion problem whereas in January the LAO estimated that the Governor's budget addresses a $58 billion problem—as well as somewhat different revenue projections. Regardless of these distinctions, it is clear that the state faces the task of "solving" a substantial budget problem. Moreover, both the LAO and the administration estimate that, based on current revenue forecasts, the state will face significant operating deficits in subsequent fiscal years.

The Governor proposes to address the 2024-25 budget problem through a combination of strategies, including relying on reserves and reducing recent one-time spending commitments. Given that the climate, resources, and environmental policy areas were the largest categories for recent one-time investments, the Governor targets these programs for a notable share of these spending solutions. Under the administration's projections, even after adopting the Governor's proposals, the state still would face operating deficits of $37 billion in 2025-26, $30 billion in 2026-27, and $28 billion in 2027-28.

**LAO Assessment.** ***Vast Majority of Intended Multiyear Funding Would be Maintained.*** Responding to the causes and impacts of climate change presents significant challenges for California and has therefore been a clear priority of both the administration and the Legislature in recent years. Indeed, the resources and environmental policy areas received the largest proportional share of discretionary one-time General Fund spending from recent budget surpluses. The Governor's budget largely sustains this commitment. Even with the Governor's proposed budget adjustments, the majority of the spending and activities included in recent budget agreements would continue. Specifically, the proposal would sustain $33.7 billion, or 86 percent of the total original intended amounts.

Even these reduced amounts still would represent significant augmentations compared to historical levels for most of these programs. Moreover, even with the Governor's proposed reductions, funding levels for climate and resources-related activities would remain at levels that are roughly comparable to those that were in place in 2019-20, before the unprecedented increases that have occurred over the last couple of years. This can give the Legislature confidence that even at moderately reduced spending levels such as those proposed by the Governor, the state can continue to make significant progress on its climate and environmental goals. However, the proportion of funding proposed to be maintained—and therefore the relative magnitude of the activities that could continue being implemented—does vary by thematic package. For example, the Governor proposes maintaining essentially all of the total intended funding for ZEV programs, but only about half for coastal resilience activities.

***Given State Budget Shortfall, Overall Proposed Approach Has Several Merits.*** The magnitude of the General Fund problem means that the Legislature faces difficult choices in developing its budget this year. Within this context, the LAO finds a number of redeeming qualities in the Governor's proposal. Specifically, it:

- *Continues to Fulfill Most State Objectives.* As noted, even with the Governor's proposed reductions, the vast majority of multiyear funding and activities included in recent budget agreements would be sustained.

- *Focuses Reductions on Recent One-Time Augmentations.* Pulling back one-time expenditures is less disruptive than making reductions to ongoing base programs.

- *Does Not Reduce Funding That Has Already Been Committed to Specific Projects or Grantees.* Sustaining committed funding avoids creating challenges for local grantees and project sponsors that may other financing, or initiated construction.

- *Utilizes Other Available Funds to Sustain Numerous Programs.* The strategy of using GGRF to backfill many General Fund reductions allows the state to both achieve savings and maintain planned activities.

- *Eliminates Most Unappropriated General Fund Planned for Budget Year and Future.* Pulling back on plans to provide funding that had been scheduled for 2024-25 or future years is among the least disruptive reductions the state can make, in that administering departments should not yet have proceeded in making grant solicitations or initiating projects.

***Reducing Remaining General Fund From 2024-25 and Out-Years Could Be Less Disruptive Than Some Other Alternatives.*** While the Governor's proposal eliminates most of the General Fund that past budget agreements had planned for but not yet provided, it leaves some in place. Specifically, the proposal would maintain about $380 million of General Fund spending planned for 2024-25 (including $200 million for drinking and wastewater infrastructure projects and about $160 million for several energy programs). Moreover, the Governor sustains plans to provide about $930 million from the General Fund in 2025-26 (including $500 million for water storage projects, over $300 million for energy programs, and $100 million to implement portions of CERIP). Because these funds have not yet been appropriated and departments do not have the legal authority to spend them, the Legislature should have some certainty that they have not yet been awarded or committed for specific projects. As such, avoiding appropriating this budget-year and out-year funding in the first place could be less disruptive for departments and other entities than retracting existing funding. Moreover, avoiding incorporating one-time expenditures into out-year spending plans would help address the projected future budget deficit and avoid setting spending expectations that may be hard to keep.

***Proposed Delays Complicate Future Budget Situation.*** While the Governor eliminates most of the unappropriated General Fund planned for 2024-25, some of this funding is only temporarily reduced. Specifically, the Governor proposes delaying a total of $1.7 billion in General Fund expenditures to future years. (This consists of $1.1 billion affecting the 2024-25 budget window and an additional $635 million from 2025-26.) While these delays provide short-term savings and might preserve intended activities over the longer term, they also exacerbate future budget problems by increasing out-year General Fund spending commitments. Specifically, the delays result in higher planned spending of $315 million in 2025-26, $665 million in 2026-27, and $750 million in 2027-28. As noted above with regard to the out-year planned funding the Governor proposes to maintain, building a multiyear spending plan that incorporates this delayed funding sets expectations for potential projects and grantees that may be hard to keep given projected out-year budget deficits. The LAO estimates that state revenues in the out-years would need to exceed the administration's forecast by roughly $50 billion per year in order to sustain the total amounts of spending proposed by the Governor's budget across all policy areas. Moreover, state priorities may shift in the coming years—based both on the revenue picture but also evolving circumstances such as potential floods or droughts, policy changes at the federal level, or other unforeseen events—and avoiding overcommitting out-year funds would help preserve legislative flexibility to respond.

***Legislature Could Pursue Alternative Approach for Prioritizing GGRF in Current and Budget Years.*** While the Governor's approach of using GGRF to backfill General Fund reductions and sustain certain activities has merit, the Legislature could adopt this same strategy in a somewhat different way to align with its priorities. Specifically, it could achieve the same amount of savings as the Governor through directing GGRF funds to backfill a different mix of General Fund reductions. For example, even the Governor proposes directing a total of $1.3 billion from GGRF to backfill all the proposed General Fund reductions to the ZEV package, but only $37 million to sustain a mere 8 percent of the proposed reductions to coastal resilience activities. Based on its highest priorities, the Legislature could choose a different allocation. The Legislature has flexibility around how it is able to direct GGRF revenues because the program was authorized in a way that is akin to a tax, meaning the funds can legally be used for broad purposes. Historically, the state has used GGRF for a wide range of environmental programs (along with programs in other policy areas such as transportation and housing).

***Extensive Reliance on Out-Year GGRF Makes Assumptions About Future State Priorities and Revenues.*** While the state dedicates a share of annual GGRF revenues to recurring ongoing activities (such as the high-speed rail project, sustainable housing and transit programs, and forest health activities), it generally has maintained about 35 percent for discretionary spending decisions agreed upon by the Legislature and Governor as part of each year's budget negotiations. The 2023-24 budget package broke with historical practice somewhat by including plans to dedicate a notable share of out-year discretionary GGRF revenues for specific purposes rather than deferring that decision to future legislative and administration negotiations. Specifically, the agreement planned to dedicate $600 million from discretionary GGRF annually for three years beginning in 2024-25 to backfill General Fund reductions within the ZEV package. As noted above, the Governor's proposal maintains these plans and adds an additional out-year GGRF commitment of $600 million in 2027-28 resulting from a proposed delay of some planned ZEV package spending. This would commit a total of $1.8 billion ($600 million per year) in future GGRF revenues from 2025-26 through 2027-28. While this approach allows the state to maintain long-term intended ZEV spending plans and save General Fund, it does raise two key concerns.

First, the Legislature might benefit from preserving additional flexibility around how it wants to dedicate future GGRF funds. Specifically, given the projected budget deficits in the coming years, the Legislature could face some very difficult choices around its expenditures—including a potential need to reduce General Fund support for core ongoing programs. In such a case, the Legislature could find that it has higher priorities for GGRF revenues than sustaining planned one-time program expansions. While nothing precludes it from revisiting these spending intentions in a future year, leaving them in its multiyear spending plan for now could set unrealistic expectations and make redirecting the funds in the coming years more challenging. In contrast, holding off on making spending commitments until it has more information about the budget situation it faces in each given fiscal year would preserve more flexibility for the Legislature to target available discretionary GGRF funds to its pressing and emerging priorities.

Second, considerable uncertainty exists around how much GGRF revenue will be available in future years. Historically, GGRF revenues have experienced significant volatility. A precipitous drop in GGRF revenues could jeopardize not only these planned out-year ZEV expenditures but also other longstanding state priorities for which the state has historically relied upon this funding source—raising further questions about the wisdom of committing these additional funds so many years in advance.

***Data Indicate Significant Amount of Appropriated Funding Has Not Yet Been Committed by Administering Departments.*** Of the General Fund appropriated for the thematic packages from 2021-22 through 2023-24, the LAO estimates that over $4 billion remains uncommitted. (This typically means that it has not yet been dedicated to specific projects or activities.) Of this total, the LAO estimates that the Governor is proposing solutions—including reductions, delays, and fund shifts—affecting under $3 billion. This leaves over $1 billion in uncommitted prior- and current-year appropriated funding that has not been proposed for a General Fund solution. The Legislature could reduce some of this funding and achieve General Fund savings as additions or alternatives to the Governor's proposals, in most cases without major disruptions to specific programs or projects.

***Governor Gives Precedence to Administration's Initiatives Over Legislative Priorities.*** The administration's choices regarding which programs to preserve and which to propose for reductions largely reflect the Governor's priorities. Specifically, many of the proposed cuts are to programs for which the Legislature advocated during budget negotiations, rather than those that were initially proposed by the Governor. For example, the Governor proposes cutting $452 million from the multiyear budget agreement for coastal resilience activities—proportionally more than any other of the thematic packages—much of which was originally added by the Legislature. The Governor also proposes cutting several other programs that the Legislature augmented as priorities during previous budget negotiations, such as watershed climate resilience projects ($126 million proposed reduction), addressing per- and polyfluoroalkyl substances ($102 million proposed reduction), the Outdoor Equity Grant Program ($25 million proposed reduction), and the Urban Waterfront Program ($12.3 million proposed reduction). Notably, at the same time, the Governor proposes to maintain uncommitted funding for a number of the administration's priorities, such as for water storage projects ($500 million proposed to retain), water resilience projects ($228 million), and coastal acquisitions ($49 million). To the extent the Legislature's priorities differ from the Governor's, it could select a different mix of programs for funding reductions.

The LAO also notes that the administration has considerable control over the pace at which programs are administered. For example, the LAO understands that the administration has suspended grant solicitations for certain programs due to funding uncertainty—thus likely contributing to higher uncommitted amounts available for potential reduction—whereas others proceeded in their solicitations without interruption.

***Administration Plans to Commit More Funding to Specific Projects in Coming Months.*** Departments in charge of administering the funding provided through recent budgets indicate that some programs expect to commit additional funds soon by making further grant awards within the next few months. For example, the administration indicates it expects to make some grant awards in spring 2024 for water resilience projects ($228 million currently uncommitted), transmission financing ($200 million currently uncommitted), the Wildlife Conservation Board's various nature-based solutions programs (affecting $73 million of the $100 million currently uncommitted), and funding to protect salmon (affecting $30 million of the $35 million currently uncommitted). After those grant awards are made, grantees will reasonably expect that funding is forthcoming and take steps such as entering into contracts and initiating construction activities. At that point, the Legislature will lose the option of reverting the associated funding and capturing savings without causing significant disruptions. As such, for some programs, the Legislature may want to consider taking early action to make funding reductions ahead of the June budget deadline to ensure departments do not proceed with their current plans to commit unspent funds (and erode potential savings). As noted above, the LAO thinks these amounts could total over $1 billion.

***Entities in California Are Receiving Significant Federal Funds for Climate- and Environmental-Related Activities.*** Recent federal legislation, including the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA), have provided large increases in funding for various climate- and environmental-related activities. The LAO estimates that, thus far, entities in California— including state agencies and departments, local governments, tribes, private companies, and nongovernmental organizations—have received commitments totaling roughly $9.7 billion from IIJA and IRA to support a wide range of climate- and environmental-related activities. Some of the program areas slated to receive the most funding include drought and water resilience (much of which is for drinking water-related projects), clean energy, ZEVs, and wildfire and forest resilience. Additionally, many federal agencies have not yet allocated all of their IIJA and IRA funding, so entities in California will have the opportunity to compete for—and potentially secure—additional funding in the near future.

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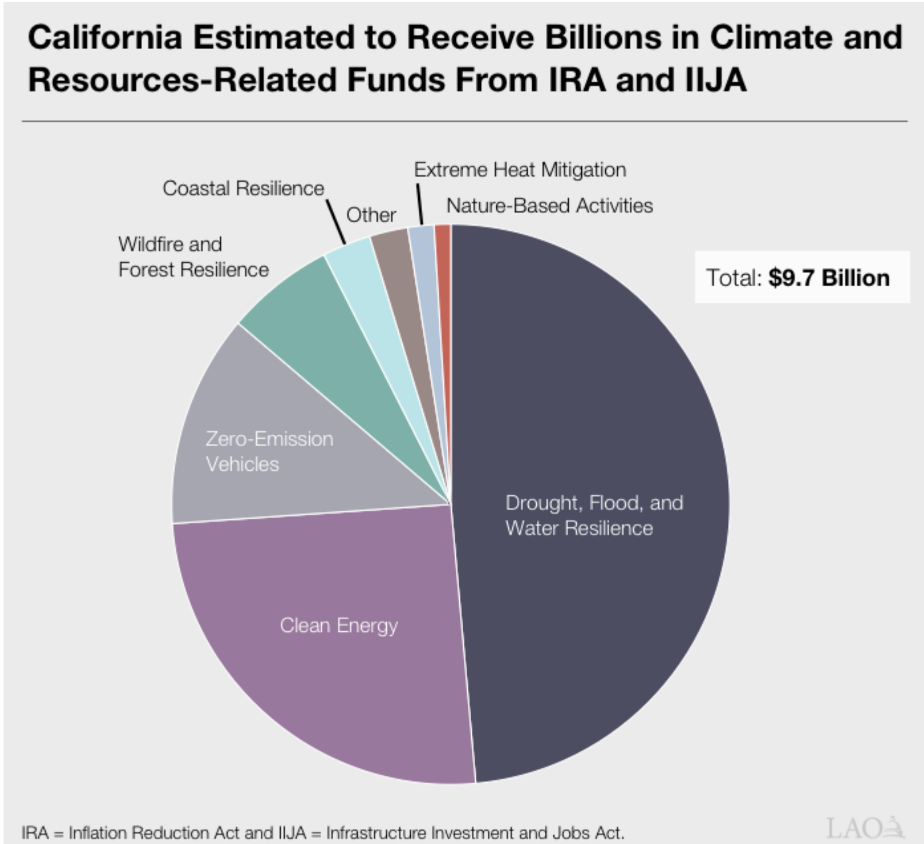



*Source: LAO*

Notably, many of the federally funded activities are broadly similar to those supported by the state's programs. However, typically they do not provide an identical dollar-for-dollar replacement for state funds, as they may have different eligibility criteria or allowable uses. For example, in some cases, federal programs also require a local funding contribution, which can result in higher barriers to access than some state programs. Despite these program differences, the availability of billions of dollars of federal funds to support climate- and environmental-related activities will ensure that even with recent and proposed reductions to state funding, significant support still is available for many of the same broad purposes planned for in recent state budgets. This consideration may be particularly important if the Legislature finds it needs to make additional reductions to General Fund-supported programs. For example, it could identify program areas where state entities are receiving significant infusions of federal funds (such as drinking water and ZEVs) and evaluate whether it could make additional reductions to proposed state funds and still make notable progress toward achieving its priorities.

***Information on Program Effectiveness Is Limited.*** Ideally, the Legislature's decisions around which programs to sustain or reduce could be informed by evidence regarding which activities are most effective at limiting the magnitude and impacts of climate change. Unfortunately, such data are not widely available. In some cases, this is because activities funded by recent budgets are being attempted for the first time. Even for most previously funded programs, however, such outcome data are not regularly collected or tracked. The lack of such information also impedes the Legislature's longer-term decisions, such as regarding which programs should be prioritized for future funding investments. Moreover, future decisions would benefit from information about the process of implementing the recent unprecedented level of funding, including the design of and demand for specific programs, as well as successes and challenges for both administering departments and project sponsors.

**LAO Recommendations.** While the LAO has identified some advantages to the Governor's overall approach, the administration's proposals do not represent the only set of options for addressing the budget problem. The Legislature could make changes to (1) reflect its priorities (such as by making alternative reductions or fund shifts), (2) avoid growing out-year budget deficits (such as by limiting the use of funding delays), and (3) include a higher level of budget solutions (such as by making additional reductions to unspent prior- or current-year funds). The LAO's overarching recommendations to the Legislature for crafting climate, resources, and environmental budget solutions are summarized in the figure below.

**Summary of Overarching Recommendations for Crafting Climate, Resources, and Environmental Budget Solutions**

- ✓ ***Maximize General Fund Savings by Reducing Significant One-Time Spending From Climate Packages.***
- ✓ ***Identify Alternative and/or Additional Budget Solutions Depending on Legislative Priorities and the Evolving General Fund Condition.***
- ✓ ***Consider Taking Early Action to Halt Program Spending in the Current Year and Capture Associated Savings.***
- ✓ ***Use the Greenhouse Gas Reduction Fund to Help Sustain the Highest Legislative Priorities.***
- ✓ ***Minimize Out-Year Commitments for Both the General Fund and the Greenhouse Gas Reduction Fund.***
- ✓ ***Conduct Robust Oversight of Spending and Outcomes, and Consider Whether Additional Program Evaluations Might Be Worthwhile.***

*Source: LAO*

***Maximize General Fund Savings by Reducing Significant One-Time Spending From Climate Packages.*** The LAO recommends the Legislature adopt a budget that includes significant General Fund savings from climate, resources, and environmental programs—at least as much as the Governor. While this could entail making reductions to some programs the Legislature believes are important, the vast majority of the unprecedented recent investments still would be sustained. Maximizing spending reductions from one-time funds will allow the Legislature to minimize the use of other budget tools—like reserves—that likely will be needed to address deficits in future years. Moreover, the Legislature faces some urgency in making these changes, as this strategy will not be as readily available as time passes— once one-time funds are spent, they no longer are available to pull back, leaving fewer (and often more disruptive) options for balancing the budget, such as making cuts to ongoing programs.

***Identify Alternative and/or Additional Budget Solutions Depending on Legislative Priorities and the Evolving General Fund Condition.*** The LAO thinks that generating at least the same magnitude of General Fund solutions from climate, resources, and environmental programs as the Governor will be important to solving the budget problem. However, the LAO recommends the Legislature modify the Governor's proposals to reflect its priorities. To the degree some of the Governor's proposed program reductions represent important efforts for the Legislature, it could opt to sustain that funding and instead find a like amount of savings by making alternative reductions, such as to programs with uncommitted funds. Besides finding alternative reductions, the LAO recommends the Legislature also begin identifying options for potential additional budget solutions from climate, resources, and environmental programs. Further reductions to this one-time spending could prove helpful in a number of potential scenarios, such as if (1) the budget condition worsens (current LAO revenue projections suggest this is likely); (2) the Legislature wants to reject some of the Governor's proposed General Fund budget solutions in other policy areas (such as to human services programs); (3) the Legislature wants to "make room" to fund some of its key priorities, which could include support to implement recently chaptered legislation (which the Governor's budget does not fund); and/ or (4) the Legislature determines that some of the solutions included in the Governor's proposal may not yield the anticipated savings. While this process will be challenging, taking the time to consider, research, and select potential options over the spring will better prepare the Legislature to make decisions in May and June when it will not have much time to gather information before the budget deadline.

***Consider Taking Early Action to Halt Program Spending in the Current Year and Capture Associated Savings.*** To the degree the Legislature identifies uncommitted funding from prior- and current-year appropriations it feels are good candidates for making reductions, it may want to act on them ahead of the June budget package. This will help ensure that departments do not proceed in making grant awards (eroding the potential savings) and that the funds can be captured without causing undue disruptions. As noted above, the LAO thinks the total amount of additional prior- or current-year unspent funds could total over $1 billion. The Governor already has proposed a package of early action budget items to which the Legislature could add, but this likely will require identifying and acting upon the target programs within the next month or two. The Legislature also could consider directing the administration to temporarily pause all spending of uncommitted prior- and current-year funding from these packages to preserve its options as it gets a better sense of the revenue picture and deliberates its budget package this spring. However, the LAO notes that the administration's compliance with such direction may be difficult to enforce.

***Use GGRF to Help Sustain Highest Legislative Priorities.*** The LAO recommends the Legislature adopt the Governor's overall strategy of using GGRF to help backfill General Fund reductions for certain programs. This approach allows the state to achieve necessary budget savings while continuing important activities. However, the LAO recommends the Legislature adopt a GGRF spending package that preserves funding for its highest-priority activities, which may represent a different mix from that proposed by the Governor. For example, instead of prioritizing GGRF to sustain all of the original intended funding for ZEV activities, the Legislature could redirect some of those funds to sustain some additional funding for other program areas proposed for deeper reductions, especially given the significant amount of federal funds available for ZEVs.

***Minimize Out-Year Commitments for Both General Fund and GGRF.*** As noted, the Governor proposed delaying about $1.7 billion in General Fund spending for climate, resources, and environmental programs to future years, sustains over $900 million in General Fund planned for 2025-26, and also commits $1.8 billion in out-year GGRF for maintaining intended multiyear spending levels in the ZEV package. While this approach might preserve funding over the longer term, it also exacerbates future budget problems. Given the out-year budget forecast, we recommend that—for now—the Legislature consider both reducing planned out-year funding that has not yet been appropriated, and reducing rather than delaying expenditures and revisiting them in a future year when it has a better sense of its available fiscal resources and highest spending priorities for both the General Fund and GGRF. This would help avoid both worsening out-year budget deficits and creating spending expectations the state may not be able to fulfill.

***Conduct Robust Oversight of Spending and Outcomes, and Consider Whether Additional Program Evaluations Might Be Worthwhile.*** The LAO recommends the Legislature conduct both near-term and ongoing oversight of how the administration is implementing—and local grantees are utilizing—funding from the recent budget augmentations. In particular, the LAO recommends the Legislature track: (1) how the administration is prioritizing funding, especially within newly designed programs; (2) the levels of demand and over- or under-subscription for specific programs; (3) any barriers to implementation that departments or grantees encounter; and (4) the impacts and outcomes of funded projects. The Legislature has a number of different options for conducting such oversight, all of which could be helpful to employ given that they would provide differing levels of detail. These include requesting that the administration report at spring budget hearings, requesting reports through supplemental reporting language, and adopting statutory reporting requirements (such as those typically included for general obligation bonds). Additionally, to the degree it might want more intensive external program evaluations for certain high-priority programs to help assess their effectiveness, the Legislature could consider adopting language that directs the administration to set aside a portion of provided funding to contract with researchers to conduct more in-depth studies.

**LAO Conclusion.** The unprecedented levels of funding the state provided in recent years represent a significant commitment to addressing the causes and impacts of climate change, as well as pursuing numerous other state environmental goals. These augmentations were enabled by the large General Fund surpluses the state received—and expected to receive—over the past few years. Given the change in the state's overall fiscal condition, reducing this spending correspondingly is both reasonable and necessary—particularly for expenditures that were planned when the state had a different General Fund outlook but that have not yet been implemented. Scaling back these spending intentions will require the Legislature to make difficult choices, particularly since certain constituencies were anticipating receiving funds for local projects. However, the Legislature can modify the Governor's proposals to craft a budget package that both achieves required General Fund solutions and sustains its highest-priority activities. Moreover, the level of funding that already has been expended—and therefore cannot be reduced—still will be exceptional by historical standards. These commitments, combined with the significant amount of new federal funding flowing into the state for similar activities, should provide the Legislature and public with some comfort that the state can continue to make notable progress in pursuing its climate and environmental goals despite the modifications necessitated by the budget downturn.

**Staff Comments.** The LAO's assessment on the climate, resources, and environment solutions included in this agenda was based on its deficit estimate of $58 billion in January 2024. In contrast, the Governor's budget presumes an estimated shortfall of $38 billion. According to the LAO, the differences between these two estimates are due to different interpretations of baseline spending as well as different revenue projections. For the latter, revenue collection data throughout the spring will help inform the LAO and the administration determine more accurately the magnitude of the budget deficit. Most recently, on February 20, 2024, LAO provided a deficit update, which estimates the budget problem growing by $15 billion based on its most recent revenue forecast. The LAO's update would expand the LAO's $58 billion estimated deficit to a total of $73 billion. The administration will provide an updated estimate of the shortfall in the May Revision. Given this budget context, the Legislature will want to seriously consider and assess all of the Governor's proposed budget solutions as discussed above, as well as any additional budget solutions that may become necessary if the budget condition worsens in the coming months.

**Staff Recommendation. Hold open.**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, March 7, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 2200**

Consultant: Eunice Roh

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY

### Issue 1: Ongoing Funding for Core Contracts and Information Technology Resources

**Governor's Proposal.** The Governor's Budget includes $3,151,000 ($3,021,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) and $130,000 from the Safe Energy Infrastructure and Excavation Fund (SEIEF)) in 2024-25 and ongoing for information technology and contracting resources. More specifically, the request includes the following:

- $201,000 for 1.0 Information Technology (IT) Specialist II to develop and manage the various applications for the department.
- $450,000 for an Ongoing Ticketing System Managed Services Contract to maintain and support the Department's new IT ticketing system environment.
- $500,000 for permanent contract support to conduct the annual maturity model survey analysis.
- $500,000 for permanent contract support to conduct required independent safety culture assessment workforce surveys performed as part of the annual safety culture assessment for each electrical corporation.
- $1,500,000 for permanent contract support to conduct the statutorily required annual independent audit of nine electrical corporations' vegetation management activities.

According to the department, these resources are necessary to support and maintain IT systems key for operations as well as to conduct work that requires subject matter expertise not available within the department. The Administration does not expect any fee changes to be necessary for the PUCURA or SEIEF funds as a result of this proposal.

**Staff Recommendation.** Approve as budgeted.

## 3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

### Issue 2: 2023 California Vehicle Survey Supplemental Funding

**Governor's Proposal.** The Governor's Budget includes $200,000 in reimbursement authority to allow the California Energy Commission (CEC) to receive funding from the California Department of Transportation (Caltrans) to support the California Vehicle Survey (CVS). The survey collects information about California consumers' preferences for different types of vehicles. CEC uses this information to build their transportation energy demand forecasting and assessment, which supports their energy demand, planning, and policy assessment for the state. Caltrans also uses the survey to meet some of their vehicle and travel data needs. This funding will support CEC to complete survey design; execute the survey and collect survey data; conduct analysis of survey data to ensure data quality; and develop a final report for publication. In previous budgets, CEC has received $600,000 over three years for the survey in 2006 and 2014.

**Staff Recommendation.** Approve as budgeted.

**Issue 3: Technical Assistance Support for Building Standards**

**Governor's Proposal.** The Governor's Budget includes $497,000 ongoing from the Cost of Implementation Account for three positions to provide technical assistance regarding the California's Energy Code. More specifically, the request includes the following:

- One Associate Energy Specialist for the Standards Development Unit, to provide assistance to local jurisdictions seeking to adopt local ordinances and codes that exceed the current California Energy Code. These types of requests have increased more than 120 percent over the last three years, and is expected to continue to increase.
- One Energy Commission Specialist 1 for the Standards Tools Development Unit, to support compliance modeling and analysis; draft compliance forms; lead public-private partners to develop alternative compliance pathways; and provide technical assistance with compliance software and documents.
- One Electric Generation System Specialist for the Outreach and Education Unit, to lead the Energy Standards Hotline team as well as provide outreach, education, and technical assistance to various stakeholders. Currently, the Title 24 hotline receives 195 inquires each week, and has 1900 inquires in the backlog queue. As a result, response times are on average three and a half months for emails and six months for phone inquiries.

The department reports these additional positions are necessary to address the increasing requests for technical assistance, applications for review, and growing complexity of the California Energy Code.

**Staff Recommendation.** Approve as budgeted.

## 8660 PUBLIC UTILITIES COMMISSION

**Issue 4: California Advanced Services Fund Local Assistance Budget**

**Governor's Proposal.** The Budget proposes to increase the local assistance budget authority from the California Advanced Services Fund (CASF) program for the California Public Utilities Commission (CPUC) to $136.2 million in 2024-25 and ongoing. In addition, the administration requests budget bill language which makes expenditure authority contingent on the CPUC collecting sufficient revenue.

**Background.** The CASF program funds broadband infrastructure projects. It is funded by a single flat fee per access per access line, which applies to all telephone corporations. In 2021, AB 14 (Aguiar-Curry, Chapter 685) and SB 4 (Gonzalez, Chapter 671) extended the CASF program, and provided the CPUC the authority to collect up to $150 million for the program. Since then, CPUC has made changes to the surcharge mechanism that generates revenue for the CASF program, leading to the department now able to collect the full amount.

However, currently, CPUC only has the budget authority for $72.6 million for the program. There is growing demand for CASF—for example, in 2023, CPUC received 74 applications requesting $527 million total. Given the increasing demand for CASF, the CPUC requests the budget authority to increase to match the forecasted revenue. In addition, since the revenue mechanism is relatively new, the CPUC requests language to make the expenditure authority contingent on collecting sufficient revenue.

**Staff Recommendation.** Approve as budgeted.

**Issue 5: Gas Transmission Pipeline Safety Staffing**

**Governor's Proposal.** The Governor's Budget includes $550,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to ensure gas operators comply with recent federal gas transmission pipeline safety mandates.

**Background.** The Pipeline and Hazardous Materials Safety Administration (PHMSA) is a federal agency that regulates transportation of energy and other hazardous materials. PHMSA requires the CPUC's Gas Safety and Reliability Branch (GSRB) to review, at least once every five years, the associated procedures, implementation plans, field facilities, and records that gas operators have developed and implemented to address the federal mandates.

In recent years, the PHMSA added and revised several components of federal pipeline safety regulation. According to the CPUC, these enhanced regulations increase the GSRB workload to review documents, conduct field inspections, and other regulatory activities to provide oversight to gas operators. As a result, the CPUC requests two and a half Utilities Engineer positions to address this increased workload.

**Staff Recommendation.** Approve as budgeted.

**Issue 6: IT Asset Tracking and Management System**

**Governor's Proposal.** The Governor's Budget includes $300,000 ongoing from various special funds for maintenance and operation costs to sustain an information technology hardware/software asset management system. Previously, the CPUC's Information Technology Services Division (ITSD) has used multiple manual spreadsheets to track IT assets, which is both labor intensive and error prone. In addition, this is not incompliance with the State Administrative Manual. The California Department of Technology has also identified this practice to be improved in previous audits. According to the department, this funding will allow the CPUC to more efficiently and accurately track IT assets, and avoid property loss, misallocation, and inflated replacement costs.

**Staff Recommendation.** Approve as budgeted.

**Issue 7: Permanent Position Technical Adjustment**

**Governor's Proposal.** The Governor's Budget requests permanent position authority for fourteen positions across the Communication, Energy, Legal, and Utility Audits. Risk, and Compliance Divisions. In the 2018-19 budget, the CPUC received ongoing funding for these fourteen positions, but did not receive position authority. According to the department, this was to provide the CPUC with administrative flexibility to conduct its statutory obligations. The CPUC has determined that these fourteen positions are necessary on an ongoing basis to continue addressing the workload associated with the fourteen positions.

**Staff Recommendation.** Approve as budgeted.

## Issue 8: Reauthorization of Appropriation for CPUC Respond to Utility Restructurings and Securitizations

**Governor's Proposal.** The Governor's Budget includes $2,800,000 from the PUCURA for an active legal services contract to provide advice and representation on corporate and utility restructuring, finance, securitization, and bankruptcy matters.

**Background.** In recent years, several investor-owned utilities faced increasing costs and liabilities from wildfires, which has affected the financial condition of these utilities. For example, Pacific Gas & Electric filed a voluntary Chapter 11 Bankruptcy proceeding in 2019 as a result of the 2017-18 wildfires. In this situation, the CPUC used bankruptcy counsel through a legal services contract to develop a case plan for the bankruptcy. As PG&E continues to recover from this bankruptcy, the CPUC also has to continue reviewing complex financial transactions, such as issuing bonds and transferring assets into a subsidiary company.

In the 2019-20 budget, CPUC received $28 million from PUCURA for a legal services contract related to utility bankruptcy and securitization matters. In the 2021-22 budget, $7.5 million of the original amount was reappropriated to continue with the legal services contract. Of the reauthorized $7.5 million, approximately $5 million remains unexpended. This remaining $5 million is set to expire on June 30, 2024. Of this amount, the CPUC requests to reappropriate $2.8 million in this request.

According to the department, this funding will allow CPUC to retain restructuring and securitization counsel as the department provides ongoing oversight of the complex financial transactions by the investor-owned utilities. CPUC attorneys lack subject matter expertise relating to bankruptcy, insolvency, and bond financing matters, and retaining these outside counsel services is necessary to ensure CPUC can adequately and responsibly represent Californians' interests in these complex and time sensitive transactions.

**Staff Recommendation.** Approve as budgeted.

## Issue 9: Autonomous Vehicle Transportation Regulation

**Governor's Proposal.** The Governor's Budget includes $210,000 ongoing from the Public Utilities Commission Transportation Reimbursement Account (PUCTRA) to fund one position to develop and implement regulations for autonomous vehicle (AV) passenger services.

**Background.** Both CPUC and the Department of Motor Vehicles (DMV) have regulatory authority over AV operations. Whereas DMV assesses whether AVs operate safely on public roads in California, CPUC focuses on whether the AV transportation service provider can safely transport passengers.

CPUC currently has four AV permitting programs: (1) two pilot programs, one drivered and one driverless; and (2) two deployment programs, one drivered and one driverless. Pilot programs do not allow AV companies to charge monetary compensation for rides in test AVs, but deployment programs do allow companies to charge fares.

In addition, the CPUC has open Autonomous Vehicle (AV) rulemaking activities in rulemaking proceeding R.12-12-011, including unresolved policy questions on enhanced AV data reporting. The department also reports staff are currently developing recommendations on further AV rulemaking scope, which could cover passenger safety or other topics in a successor proceeding, to be opened as early as 2024. There are other AV-related regulatory workload, such as application review for the permitting programs, development of compliance and enforcement referral protocol, public engagement, among other activities.

The CPUC requests one Public Utility Regulatory Analyst V position to lead the AV program, support the related rulemakings, and address the aforementioned workload. These efforts are currently led by one PURA V, whose position was authorized to cover both AV and TNC rulemaking activities in the 2022-23 budget, but has been fully redirected to the AV Program rather than rulemaking for both AVs and TNCs (as originally intended for this position). If granted this position, CPUC will redirect the existing position to TNC rulemaking activities and the new position to the AV program.

**Staff Recommendation.** Approve as budgeted.

# DISCUSSION

## 3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

### Issue 10: Energy Resources Programs Account (ERPA) Structural Deficit Relief Trailer Bill Language

**Governor's Proposal.** The Governor's Budget includes trailer bill language that raises the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to behind-the-meter (BTM) electricity consumption.

**Background.** ERPA is the main fund supporting the CEC. The primary source of revenue for ERPA is a surcharge on retail electricity sales, which is currently set to the statutory maximum of $0.0003 per kWh. This surcharge generated $71.6 million in 2022-23. On average, a California ratepayer pays about 16 cents per month for the surcharge—or about $2 annually.

According to the administration, the current level of revenues generated by this surcharge is insufficient to support CEC sustainably. In 2024-25, the Governor's Budget includes $95.7 million in expenditures from ERPA, which continues a structural deficit in the fund. Without action, ERPA is projected to become insolvent in 2027-28.

**Energy Resources Program Account (ERPA) Fund Condition**
**(dollars in thousands)**
**2024-25 Governor's Budget**

| | Past Year - 1 21-22 | Past Year 22-23 | CY 23-24 | BY 24-25 | BY +1 25-26 | BY +2 26-27 | BY +3 27-28 | BY +4 28-29 |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING RESERVES** | $91,874 | $100,540 | $86,410 | $63,088 | $44,710 | $26,332 | $12,227 | -$1,878 |
| **REVENUES & TRANSFERS** | | | | | | | | |
| *Revenues* | | | | | | | | |
| Revenue | $69,450 | $71,691 | $71,702 | $77,333 | $77,333 | $77,333 | $77,333 | $77,333 |
| **Total Resources** | **$161,324** | **$172,231** | **$158,112** | **$140,421** | **$122,043** | **$103,665** | **$89,560** | **$75,455** |
| **EXPENDITURES** | | | | | | | | |
| *Baseline Support Expenditures* | | | | | | | | |
| Energy Resources Conservation and Development Commission - Base Budget | $54,839 | $75,064 | $82,845 | $83,278 | $83,278 | $83,278 | $83,278 | $83,278 |
| Other Departments Including Pro Rata | $5,945 | $6,457 | $7,879 | $8,160 | $8,160 | $8,160 | $8,160 | $8,160 |
| SB 84 Loan Repayment | $0 | $4,300 | $4,300 | $4,273 | $4,273 | $0 | $0 | $0 |
| **Total, Support Expenditures** | **$60,784** | **$85,821** | **$95,024** | **$95,711** | **$95,711** | **$91,438** | **$91,438** | **$91,438** |
| **Expenditure Total** | **$60,784** | **$85,821** | **$95,024** | **$95,711** | **$95,711** | **$91,438** | **$91,438** | **$91,438** |
| **FUND BALANCE** | **$100,540** | **$86,410** | **$63,088** | **$44,710** | **$26,332** | **$ 12,227** | **$ (1,878)** | **$ (15,983)** |
| **Fund balance falls below prudent reserve (approximately $20 million).** | | | | | | | | |
| **ERPA Surcharge TBL Proposal - Additional Revenue** | | | | | | | | |
| Residential BTM Surcharge | $0 | $0 | $0 | $2,243 | $4,486 | $4,486 | $4,486 | $4,486 |
| Non-utility Generation Facility BTM Surcharge | $0 | $0 | $0 | $1,024 | $2,048 | $2,048 | $2,048 | $2,048 |
| Utility Scale Generation | | $0 | $0 | $1,675 | $3,351 | $3,351 | $3,351 | $3,351 |
| Total | | | | $4,942 | $9,885 | $9,885 | $9,885 | $9,885 |
| **New Fund Balance with BTM Revenue only** | | | | **$49,652** | **$36,217** | **$22,112** | **$ 8,007** | **$ (6,098)** |
| **Fund balance falls below prudent reserve (approximately $20 million).** | | | | | | | | |

Source: Department of Finance

The administration reports that this imbalance between revenue and expenditures stem from a variety of factors. First, one factor is the growing capacity of BTM rooftop solar, wind, and non-utility generation. Because the ERPA surcharge only applies to retail electricity sales, revenues are expected to decrease as BTM makes a growing share of the total electricity consumption. Although transportation, building, and other forms of electrification is expected to increase electricity consumption in the coming years, the administration claims that the growth of ERPA expenditures currently outpace the growth of electricity consumption.

Second, the scope of CEC's roles and responsibilities have grown in the last several years, as clean energy, electrification, and energy reliability have become key in reaching the state's climate change goals. For example, ERPA expenditures grew about $6.5 million in 2023-24, in part to implement legislation, such as SB X1-2, SB 1158, and SB 1112.

To address this structural deficit, the Governor's Budget includes trailer bill that would, beginning January 1, 2025: (1) adjust the surcharge cap to $0.00066 per kWh; (2) tie the surcharge cap to the Consumer Price Index; and (3) apply the ERPA surcharge to BTM energy consumption.

If approved, the administration expects the revenues to ERPA to increase by $9.8 million from extending the surcharge to BTM. About $4.5 million of this revenue will come from the approximately 1.66 million residential BTM customers who, on average, would see a monthly bill increase of about 23 cents per month. About $2 million will come from non-residential locations with solar generation and $3.4 million will come from utility scale generation.

The administration is not proposing to increase the surcharge until ERPA dips below a prudent reserve—which according to the department, is approximately $20 million. Each year, the CEC will forecast the impact of projected expenditures (including the cost of new mandates, salary increases, etc.) on the fund balance. If those projections show the ERPA fund balance would drop below the prudent reserve in the upcoming year, the CEC would propose a surcharge increase for adoption at a November Commission business meeting sufficient to maintain the reserve – consistent with Revenue and Taxation Code section 40016(b).

**LAO Comments.**

***Surcharge Not Likely to Reach Cap Anytime Soon.*** The administration has indicated that, should the proposal be adopted, it would not proceed with raising the ERPA surcharge all the way to the new cap immediately. Rather, CEC states that its annual process for considering adjustments to the surcharge would be to (1) forecast its projected, allowable ERPA expenditures as approved in the most recent budget act; (2) evaluate whether those projections show that the ERPA fund balance would drop below a $20 million reserve (the administration's identified "prudent reserve"); if so, (3) the CEC would propose a surcharge increase sufficient to cover the associated expenditures; and (4) CEC commissioners would hold a vote on the proposed increase at their November business meeting. Under this practice, the surcharge increase is not likely to hit the maximum cap for several years. This is because the current cap of $0.0003 per kWh is nearly, but not entirely, sufficient to cover ERPA's current expenditures, so CEC will not have justification to adjust the surcharge up to the maximum allowable cap unless the Legislature authorizes significant and unanticipated new near-term spending from ERPA.

***Existing Law Places Checks on ERPA Expenditures…*** Because ERPA is not continuously appropriated, in general, the administration must submit a budget change proposal for legislative approval should it wish to add new expenditures and increase its spending authority from the fund (for example, to add staff to implement new activities). Moreover, CEC is unable to use ERPA revenues for any spending beyond its statutorily required duties and obligations. These guardrails provide some limitations on how CEC can use ERPA and the rate at which it can increase its spending. Without significant increases in spending authority from the Legislature, CEC will not have justification to significantly increase the ERPA surcharge, even if a higher cap technically provides it with more room to do so. This can provide the Legislature with some comfort that even if it approves the Governor's proposal to notably increase the cap, through helping to control ERPA expenditures, it also can help control surcharges for ratepayers.

The requirement that CEC commissioners approve ERPA increases also provides an opportunity for the Legislature (and stakeholders) to weigh-in through public comment prior to them raising the surcharge.

***…But Legislature Will Want to Carefully Monitor Growth in and Effectiveness of Expenditures.*** The Governor's proposal would give CEC authority to raise ERPA revenues if the added expenses fulfill CEC's statutorily required obligations and fall within the fund's statutory spending level as authorized by the annual budget act. The Legislature will want to be diligent about monitoring how CEC is using the revenues, whether the activities the fund is supporting seem justified, and how quickly the activities are expanding and expenditures are growing. As part of this oversight, monitoring how quickly the surcharge rate charged by CEC is growing over the next several years also will be important. Particularly given that any increases to the surcharge will have impacts for ratepayers—albeit minor ones, as discussed next—the Legislature will want to make sure ERPA spending is well-justified, cost-effective, and helping to meet state goals and fulfill statutory obligations.

***Cost Increase to Customers Would Be Minor, but Still Worthy of Scrutiny.*** Any proposal that increases electricity rates should be considered carefully. California's electricity rates have increased at a rate far surpassing inflation in recent years, with rates charged by the state's investor-owned utilities increasing by nearly 90 percent over the past decade. Lower-income households spend a larger share of their income on energy costs as compared to higher-income households. In addition, meeting the state's climate goals will be dependent on increasing electricity usage and moving away from fossil fuels, and customers may be reluctant to make electrification transitions should associated prices be too high. The Governor's proposal will increase electricity rates, and as such bears particular scrutiny. However, even with this in mind, the proposed increase for the average residential customer will be minor, resulting in additional costs for most households totaling only a few cents each month. Given the importance of making sure CEC is well-positioned to help the state meet its aggressive clean energy goals, these minor increases seem justified and not overly burdensome.

***Extending Surcharge to BTM Solar and Incorporating Inflationary Adjustments Are Reasonable.*** As described above, the growth of BTM solar has eroded ERPA revenues while expenses have continued to grow. A strong policy rationale exists for extending the surcharge to these customers so they pay their "fair share" of supporting CEC's statutorily required activities. The resulting charges would be modest, adding an estimated 23 cents per month to bills for the typical household BTM solar customer. In addition, tying the surcharge to inflation is a sensible strategy to ensure future revenue is sufficient to accommodate normal growth in baseline costs. This also will help ensure that inflationary changes will not be responsible for reestablishing a structural deficit. Adding this annual adjustment also will limit the need for repeated action by the Legislature in future years.

**LAO Recommendation.**

***Approve Governor's Proposal, but Monitor Necessity and Effectiveness of Both Existing and Future ERPA Spending.*** The Governor's proposal is a reasonable approach to addressing the structural deficit in ERPA, which is projected to go insolvent in 2027-28 absent legislative action. Moreover, the resulting impacts on ratepayers will be minor and CEC is unlikely to have justification for making notable increases to the surcharge in the near term. We recommend the Legislature adopt the Governor's proposal, but constrain expenditure growth (and the resulting impacts to the surcharge applied to ratepayers) by continuing to closely monitor both future requests for increases to ERPA spending, as well as the need for and cost-effectiveness of existing expenditures. This can help ensure the funds are being used for essential and worthwhile activities and avoid levying undue or rapidly increasing charges on ratepayers.

**Staff Comments.** During the prior year's budget process, the administration proposed a very similar proposal to raise the surcharge for ERPA as part of the May Revision. Although it is important to maintain the fiscal health of the account to fund the CEC, any increase to electricity costs should be thoroughly assessed, given the high energy costs California residents face. In particular, the Legislature will want to consider the differing factors that impact ERPA solvency.

For example, the department projects ERPA to become insolvent in 2027-28—however, this assumes the revenues stay stagnant at $77 million, and does not take into account potential increases in the revenue due to greater electrification of buildings, vehicles, and equipment in the state. The CEC projects retail electricity sales to grow annually at about 1.68 percent. Other factors are also uncertain, such as the growth of BTM and CEC expenditures in the next several years, which could determine the timeframe for ERPA solvency. For example, the Governor's Budget does not include any implementation of legislation from the prior year, including those that would have been funded from ERPA. However, this could change as the budget process proceeds and as the budget condition evolves in the coming fiscal years. The Legislature may want to consider these factors in assessing which approach would be the most appropriate to ensure long-term sustainability of the account.

**Staff Recommendation.** Hold Open.

## 8660 PUBLIC UTILITIES COMMISSION

### Issue 11: Broadband Package Budget Solutions & Ongoing Implementation of Broadband for All

**Governor's Proposal.** The Governor's Budget includes a delay of $100 million General Fund from 2024-25 to 2026-27 for last-mile infrastructure grants at the CPUC. The Budget also includes a reduction of $250 million General Fund ($150 million in 2024-25 and $100 million in 2025-26) for the Broadband Loan Loss Reserve Fund.

In addition, the Governor's Budget includes $9,929,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to fund 46 existing positions and four new permanent positions to continue implementing broadband programs.

**Background.** The 2021-22 budget included $6 billion over three years on broadband infrastructure. This plan included $2 billion for Last-Mile Projects and $750 million for the Broadband Loan Loss Reserve Fund. The Last-Mile Projects program provides grants to ISPs, public entities, and other organizations to fund last-mile infrastructure projects that connect unserved and underserved communities and households to middle-mile infrastructure. The Broadband Loan Loss Reserve Fund provides local government entities and nonprofit organizations with grants to help them finance broadband deployment projects. Both programs are implemented by the CPUC.

To implement these new broadband infrastructure programs, the 2021-22 budget also provided CPUC limited-term funding for 46 permanent positions and four limited-term positions. The limited-term funding availability was only budgeted for three fiscal year periods (2021-22, 2022-23, and 2023-24). At the time, the funding and positions were provided on a limited-term basis because these programs were new—CPUC would return with a request to establish permanent funding once they had a better assessment of the ongoing workload.

Since then, funding for broadband infrastructure has expanded, particularly at the federal level. For example, the federal government is currently implementing the Broadband Equity Access and Deployment (BEAD) program, which is expected to provide funding over the next decade. (However, BEAD funding will include some set aside for program implementation, but CPUC will only receive those funds once the state application is approved by the federal government.) In addition, the state funding for broadband infrastructure programs at the CPUC and California Department of Technology is proposed to be spread across the next several years.

Concurrently, to help address the budget deficit, the administration proposes to delay $100 million for the Last-Mile Projects and reduce $250 million for the Broadband Loan Loss Reserve Fund. This would amend the funding for both programs as follows:

- Last-Mile Projects: $100 million in 2024-25, $200 million in 2025-26, $250 million in 2026-27
- Broadband Loan Loss Reserve Fund: $150 million in 2024-25, $175 million in 2025-26

According to the department, these proposed budget solutions will have some programmatic impacts. The delay in funding for Last-Mile Projects will shift the availability of the funding, but not impact the first-year plans for implementation. The reduction of the Broadband Loan Loss Reserve Fund may impact the number of local agencies, Tribes, and nonprofits served as well as the amount of funds these entities could possibly leverage to coordinate with the federal Broadband Equity Access and Deployment (BEAD) program applications.

As of January 2024, neither the Last-Mile Projects nor the Broadband Loan Loss Reserve Fund have awarded funding yet. CPUC staff recommended the Last-Mile Projects funding be delivered within six months of close of the objection period, which closed in December 2023. The department plans on releasing the first applications for the Broadband Loan Loss Reserve Fund in March 2024, and the award for these applications would be targeted for the second quarter of 2024.

**LAO Assessment.**

***California Faces Serious Budget Problem in 2024-25, Significant Future Budget Deficits in 2025-26 and 2026-27.*** In our overview publication, we describe the serious budget problem facing the state in 2024-25 as well as the significant future budget deficits that are projected over 2025-26 and 2026-27. Our most recent deficit update suggests even further downside risk in 2024-25. Therefore, our assessment of the broadband infrastructure proposals in the Governor's budget considers not only the merit of the proposals, but also the fiscal pressure facing the state. Moreover, our assessment applies the recommendations from our overview publication to these proposals—namely, applying a very high bar for all discretionary spending proposals and maximizing one-time spending reductions.

***Substantial Amount of General Fund Appropriated for Broadband Infrastructure Remains Unencumbered and Unexpended.*** Out of the $2.3 billion General Fund appropriated through 2023-24 across the middle-mile network ($1.2 billion), last-mile project grants ($900 million), and LLRF ($175 million), approximately $740 million is encumbered and only $30 million has been expended. Therefore, nearly $1.5 billion in General Fund appropriated for state broadband infrastructure remains unencumbered and unexpended. Figure below provides a summary of all the broadband infrastructure appropriations with encumbrance and expenditure estimates as of late 2023/early 2024.

## Broadband Infrastructure Appropriations, Encumbrances, and Expenditures To Date

*(In Millions)*

| Program or Project | Funding Status | Funding Source | | |
|---|---|---|---|---|
| | | GF | FF | TF |
| **Middle-Mile Network** | Appropriated | $1,187 | $2,436 | $3,623 |
| | Encumbered | 737[a] | 2,354[b] | 3,091 |
| | Expended | 30 | 932 | 962 |
| **Last-Mile Project Grants**[c] | Appropriated | $900 | $550 | $1,450 |
| | Encumbered | — | — | — |
| | Expended | — | — | — |
| **LLRF** | Appropriated | $175 | — | $175 |
| | Encumbered | — | — | — |
| | Expended | — | — | — |
| **Program or Project** | **Funding Status** | **GF** | **FF** | **TF** |
| **All Programs and Projects** | Appropriated | $2,262 | $2,986[c] | $5,248 |
| | Encumbered | 737 | 2,354 | 3,091 |
| | Expended | 30 | 932 | 962 |

[a]Difference of $2 million between GF encumbrance amount in Figure 3—Middle-Mile Network Projects With Encumbered Funding—and amount in this figure likely due to rounding.

[b]Difference of $208 million between FF encumbrance amount in Figure 3—Middle-Mile Network Projects With Encumbered Funding—and amount in this figure likely due to reporting funding for network electronics as encumbered in most recent quarterly ARP state fiscal recovery fund report.

[c]Last-mile project appropriation, encumbrance, and expenditure amounts do not include $50 million GF in Local Agency Technical Assistance funding. Most of this funding is encumbered and in the process of being expended.

GF = General Fund; FF = federal funds; TF = total funds; LLRF = Loan Loss Reserve Fund; and ARP = American Rescue Plan.

***Legislative Oversight Crucial as Broadband Infrastructure Programs and Projects Move to Implementation.*** Many of the federal and state broadband infrastructure programs and projects—especially the state's middle-mile network and Federal Funding Account (FFA) grant program along with the federal BEAD program—are finishing planning activities and moving into implementation. Billions of dollars, some of which are federal funds subject to specific encumbrance and expenditure deadlines, will be encumbered and expended over the next few fiscal years. (All federal American Rescue Plan (ARP) fiscal relief funds must be encumbered by the end of 2024 and expended by the end of 2026.) To achieve the goals of SB 156 and subsequent broadband infrastructure legislation, the Legislature's oversight of the administration's implementation of these programs and projects will be critical to their success. As part of our assessment and recommendations, we provide several different opportunities for the Legislature to perform this oversight role.

**Last-Mile Project Grant Proposals**

***Proposed Delay of FFA Grant Program Funding Likely Unsustainable in 2026-27.*** The proposed delay of $100 million General Fund of FFA grant program funding from 2024-25 to 2026-27 in the Governor's budget represents a relatively small solution to the serious budget problem in 2024-25. Furthermore, both the administration and our office are forecasting a nearly $30 billion budget deficit in 2026-27, which means the delayed funding is unsustainable under current revenue and expenditure projections. Therefore, based on these projections, this delay in FFA grant program funding could be viewed reasonably as a reduction.

***Federal BEAD Program Funding Will Be Made Available in 2024-25.*** CPUC anticipates the state will receive at least 20 percent of its federal BEAD program allocation of $1.86 billion (about $370 million) in May 2024 when the National Telecommunications and Information Administration (NTIA) approves its second initial proposal volume. This amount of additional federal funding would exceed the amount of General Fund support proposed for delay in the Governor's budget. Moreover, if NTIA also approves CPUC's request to make available to the state its entire BEAD program allocation, $1.86 billion in additional federal funding could be allocated for last-mile project grants before the end of 2024-25. This amount far exceeds all of the proposed and scheduled General Fund appropriations for FFA grant program awards, which total $550 million from 2024-25 to 2026-27. Any reductions in these proposed and scheduled appropriations could help address the immediate budget problem in 2024-25 and the significant future budget deficits in 2025-26 and 2026-27.

***Federal BEAD Program Non-Supplantation Language Does Not Preclude Prospective General Fund Reductions.*** Federal BEAD program documentation does include language that requires states and other program funding recipients to use their allocations to supplement, not supplant, amounts otherwise made available for last-mile project grants. However, based on our review of this non-supplantation language, reductions in proposed and scheduled General Fund appropriations from 2024-25 to 2026-27 would not be deemed supplantation because these funds have not yet been appropriated by the Legislature.

***Legislative Oversight of How Federal BEAD Program and FFA Grant Program Work Together Is Necessary.*** In addition to the need for the Legislature to consider last-mile project grant funding from the General Fund within the context of the budget problem and future budget deficits, the Legislature also could provide additional oversight of how the federal BEAD program and the FFA grant program complement one another. While the BEAD program requirements and rules are largely set by NTIA, CPUC can administer the FFA grant program based on the program requirements and rules set through its rulemaking procedures (with the partial exception of the $550 million in federal ARP fiscal relief funds).

Moreover, while the federal ARP fiscal relief funds must be encumbered by the end of 2024 and expended by the end of 2026, these deadlines do not apply to $900 million General Fund in appropriations for the FFA grant program. How these two programs complement one another to distribute last-mile project funding to unserved and underserved areas and households in the state is one key area for legislative oversight during the budget process, particularly if additional reductions in one-time spending are needed to address the budget problem.

***Anticipated Budget Control Section Process Limits Legislative Oversight.*** The Legislature also might consider whether the budget control section process CPUC expects to use to receive and expend the federal BEAD program allocation is appropriate for this amount of federal funds. We find that this process limits legislative oversight, as CPUC will not be required to submit a budget proposal to the Legislature for consideration and deliberation during the budget process. Furthermore, the legislative notification required by the budget control section only occurs after the Department of Finance approves CPUC's proposed use of the funds. Given that the federal BEAD program allocation is not unanticipated and that at least 20 percent of the state allocation will be made available to the state in May 2024 when the budget process is still underway, the Legislature could consider an alternative approach to this process through provisional budget bill language or trailer bill language.

**Loan Loss Reserve Fund Proposals**

***Proposed Reductions in LLRF Reasonable.*** Given the serious budget problem, we find the reductions to the LLRF that are proposed in the Governor's budget to be a reasonable start. As shown in Figure 7, none of the appropriated LLRF is encumbered or has been expended. A $250 million General Fund reduction to the LLRF over two fiscal years, however, does not maximize one-time spending reductions as we recommend in our budget overview publication.

***Additional Reductions or Elimination of LLRF Also Worthy of Consideration.*** Given the significant projected budget deficits across the three years for which LLRF funding is appropriated, consideration of additional reductions or even the elimination of the LLRF is warranted. CPUC does anticipate some demand for the LLRF in March, but this demand has yet to be demonstrated because rule-making for the program only recently concluded in November 2023. Furthermore, LLRF awards are not grants and will depend on applicants applying for and securing financing for their own broadband infrastructure projects. Some applicants might instead receive last-mile project grant funding from the FFA, federal BEAD program, or other CASF program accounts which might negate the applicants' need for credit enhancement offered by LLRF. To address the budget problem and/or preserve funding for other broadband programs and projects, the Legislature could consider additional reductions of LLRF appropriations and/or redirection of funding to the state's middle-mile network and/or FFA grant program.

**Ongoing Implementation of Broadband for All Proposal**

***No Concerns With CPUC's Ongoing Implementation of Broadband for All Proposal.*** We have no concerns with CPUC's request to make permanent limited-term funding for 50 positions that support CPUC's broadband-related efforts. Several of the broadband programs and projects led by CPUC have long or ongoing implementation periods and will require permanent staff.

**LAO Recommendations.**

***Consider Provisional Budget Bill Language or Trailer Bill Language as Alternative to Budget Control Section Process.*** We recommend the Legislature consider adopting provisional budget bill language or trailer bill language clarifying the appropriation and allocation of federal BEAD program funds once received. The language also could request specific information from CPUC as the state entity administering the funds, such as any conditions placed on the funding by NTIA and any required changes by NTIA to state-administered BEAD program processes.

***Consider Other Budget Solutions Using Planned Appropriations, Unencumbered and Unspent Funds.*** We recommend the Legislature consider other General Fund budget solutions using some of the remaining broadband infrastructure funding available. These solutions include:

- ***Reductions in Last-Mile Project Funding.*** Additional federal BEAD program funds of up to $1.86 billion will be made available to the state in 2024-25. Reductions in proposed or scheduled appropriations of up to $550 million General Fund in last-mile project funding from 2024-25 through 2026-27 would help with the budget problem and projected future budget deficits.

- ***Reductions in or Elimination of LLRF.*** Additional reductions to, or the complete elimination of, the LLRF would maximize one-time General Fund spending reductions already begun in the proposed Governor's budget. Up to $500 million General Fund from 2023-24 to 2025-26 could be made available to close budget deficits.

***Approve Other Proposals as Budgeted.*** As we have no concerns with them, we recommend the Legislature approve the following other proposals:

- CPUC's CASF Local Assistance Budget Authority Augmentation proposal.
- CPUC's Ongoing Implementation of Broadband for All proposal.

**Staff Recommendation.** Hold Open.

## Issue 12: Intervenor Compensation Programs Claims Support

**Governor's Proposal.** The Governor's Budget includes $280,000 ongoing from various special funds for two Associate Governmental Program Analyst (AGPA) positions to support the Intervenor Compensation (Icomp) program.

**Background.** The Icomp program reimburses certain groups, ranging from community-based to business, for their substantial contribution and participating in the CPUC's regulatory decision making process. The program is largely funded by ratepayers with a small portion funded by utility user fees. Public Utilities Code Section 1804(e) requires the CPUC to resolve and pay Icomp program claims within 75-days of filing. For claims not resolved within the 75-day statutory period, the intervenors accrue interest for payments that they eventually receive.

Historically, the CPUC has not been able to meet the 75-day deadline. As of February 2024, the department has 124 unresolved Icomp program claims, and 110 claims have already waited for 75 days or longer. However, this is an improvement from prior years.

The CPUC resolved more claims than it received in 2023 and continued to reduce the total number of unresolved claims. At the start of 2023, the CPUC had 209 pending ICOMP claims. In 2023, the CPUC received an additional 115 total claims. Recent Legislative approval authorizing the CPUC to hire and dedicate additional resources to ICOMP claims helped the CPUC to resolve 182 ICOMP claims in 2023, reducing the total number of ICOMP claims by 67. This is the most claims the CPUC has resolved in a single year in program history. This is an acceleration from 2022 when 147 claims were resolved.

In the 2022-23 budget, CPUC received four new permanent positions and limited-term funding for two AGPA positions for Icomp program claims support. Since then, CPUC has been able to hire for the four permanent positions, but has not been successful with hiring for the limited-term positions. The department requests to make these positions permanent, to more easily recruit and hire, and ultimately, to help address the Icomp program claims workload so that intervenors are more promptly reimbursed.

**LAO Comments.** The six positions provided in 2022-23 more than doubled the number of positions working on IComp claims, but issues remain: (1) CPUC has been unable to fill the two AGPA positions and cites their temporary nature as the primary barrier to recruitment, and (2) while the number of claims awaiting processing has been reduced with the new positions, a substantial backlog remains and CPUC still is not processing all claims within the statutorily 75-day required time line.

The two AGPA positions are supported primarily through ratepayer-funded special funds and therefore should be considered carefully due to California’s high and growing electricity rates. However, the IComp program has led to ratepayer savings far surpassing the cost of a handful of positions, as the program allows intervening parties to advocate for policies that better serve ratepayers. Moreover, some intervening parties have indicated they will not be able to participate as robustly in CPUC processes if IComp delays continue at the current level.

CPUC states that this request to convert the two temporary AGPA positions to permanent status will help it fill these positions. This, in turn, would help CPUC improve its IComp outcomes, as claims processing rates have improved with the four permanent positions CPUC brought on board over the past two years. CPUC indicates that it believes these additional positions will help the commission attain compliance with the 75-day time line but acknowledges some uncertainties. Given the existing claims backlog and CPUC’s continued failure to meet the statutorily required time line for processing claims, it will be important for the Legislature to monitor whether these requested resources are sufficient to achieve intended outcomes.

**LAO Recommendation.** We recommend that the Legislature approve the requested position authority, but require that CPUC report back during the 2025 spring budget hearings regarding whether it has resolved the claims backlog and is regularly processing claims within the statutorily required 75-day time period. Should intended outcomes not be achieved even with the additional positions, we recommend the Legislature consider providing additional resources for the IComp program in future years so CPUC can meet its statutory requirements.

**Staff Comments.** In recent months, CPUC has improved the rate at which Icomp claims has been resolved—however a backlog persists, and 110 out of the 124 unresolved claims have already waited for 75 days or longer. Although the statute requires these claims to be resolved within 75 days, there is no enforcement nor is there a penalty. The interest accrued to intervenors is not reflective of interest intervenors have to pay from a line of credit while waiting for the claim to be resolved. This has resulted in financial difficulties and cash flow issues for some intervenors. CPUC reports that the requested positions will help address the backlog, but it is not clear whether it will be sufficient and when the backlog will be eliminated.

In the past, some stakeholders have requested CPUC to immediately reassign 20 staff members, or as many staff as needed for a 30-day period, or longer to remove the backlog of claims. The Legislature will want to consider what level of resources will be adequate to ensure CPUC can follow the statutory requirement of resolving all claims within 75 days, and whether additional oversight or reporting is needed.

**Staff Recommendation.** Hold Open.

## Issue 13: Ongoing Support for Clean Energy Resiliency

**Governor's Proposal.** The Governor's Budget includes $3,640,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) for 16 positions and resources to continue implementing SB 100 (De León, Chapter 312, Statutes of 2018).

**Background.** In the 2021-22 budget, the CPUC requested limited-term funding of $13,704,000 across three years, for 18 positions to implement SB 100. Because this program was so new, the department originally requested limited-term funding, acknowledging at the time supplemental funding may be requested in the 2024-25 budget cycle.

The last several years have provided the department a better understanding of the workload associated with implementing SB 100, and requests the following 16 positions:

- Energy Division (ED)
    - One (1.0) Program and Project Supervisor (PPS)
    - Five (5.0) Public Utilities Regulatory Analyst (PURA) V
    - One (1.0) PURA IV
    - Three (3.0) PURA III
    - One (1.0) Senior Utilities Engineer (Specialist) (SUE)

- Legal Division
    - Two (2.0) Attorney V (1 Advocacy and 1 Advisory)
    - Two (2.0) Attorney IV (1 Advocacy and 1 Advisory)
- Information Technology Services Division (ITSD)
    - One (1.0) Information Technology Specialist II (ITS II)

All of these positions with the exception of two in the Legal Division were funded in the original 2021-22 proposal. The two positions in the Legal Division—ALJ position and the Attorney III position—warranted ongoing funding due to workload levels. In addition, this proposal further differs from the original 2021-22 proposal in that there is no request for ongoing contract budget.

The majority of the positions are under the Energy Division, across the Integrated Resource Plan (IRP); Demand Response (DR); Grid Planning, Energy Storage; Resource Adequacy and Procurement Oversight (Electric Market Design); and Energy Resource Modeling (ERM) sections. More specifically, these positions support the planning and procurement processes and tools to meet the renewable energy procurement requirements and the goal of 100 percent clean energy, to implement SB 100.

The remaining positions are in Legal and Information Technology Services Divisions. The Legal Division positions advise staff and decision makers and represent ratepayers in Commission proceedings, particularly related to procurement and renewable energy. The one position in the IT division will support data collection and analytical work related to SB 100 reports and other relevant activities.

**Staff Recommendation.** Hold Open.

***Senate Budget and Fiscal Review—Scott Wiener, Chair***
**SUBCOMMITTEE NO. 2** **Agenda**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, March 14, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 2200**

Consultants: Diego Lopez and Joanne Roy

# DISCUSSION



*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

### Issue 1: CalEPA Environmental Complaint System: Enhancing Transparency and Accountability

**Governor's Proposal.** The Governor's budget requests $676,000 increase in reimbursement authority (includes a one-time request for $230,000) and two permanent positions in 2024-25 to stabilize the CalEPA Environmental Complaint System and ensure that CalEPA is responsive, transparent, and accountable in addressing community complaints about environmental problems.

The one-time funding via reimbursement authority of $230,000 for contracted services to conduct security analysis, implement enhancements to align system with current business needs and objectives, and Salesforce training for IT staff.

**Background.** The CalEPA Environmental Complaint System is a complaint routing and tracking system that allows California residents, businesses, and agencies to submit environmental concerns or environmental referrals related to air, water, solid waste and recycling, pesticides, and hazardous waste for further review, investigation, and response by the appropriate regulatory agency or agencies. The Complaint System is intended to ensure that government is responsive and transparent in addressing environmental concerns within CalEPA's jurisdiction.

The current Environmental Complaint System was developed in 2016 on the Salesforce platform using contracted services. CalEPA has also implemented two additional applications in the Salesforce platform. Currently there is one IT position allocated part time to support CalEPA's Salesforce environment, including all maintenance, operations, and system enhancement tasks. Due to the continuous workload and lack of internal resources, continued contractor resources were needed to support the systems.

As business needs change, the lack of resources to support the Complaint System has resulted in the system becoming increasingly misaligned with current business needs and objectives. In late 2022, the California Department of Technology (CDT) conducted a stabilization assessment on the Environmental Complaint System. The assessment highlighted several areas of deficiencies and provided specific recommendations to ensure its stability. This proposal seeks the resources needed to implement the recommendations made by CDT.

**Staff Recommendation. Approve as budgeted.**

### Issue 2: California Environmental Reporting System Project

**Governor's Proposal.** The Governor's budget requests $ 3.17 million Unified Program Account one-time to implement a technology refresh on the California Environmental Reporting System (CERS). This includes continued funding for five permanent positions previously approved in the 2022 Budget Act. The project will update the technical platform, improve data quality and the processes supporting data quality, and will modernize a critical public-facing system that enables more than 160,000 businesses and 104 local regulators to meet their legal reporting obligation.

**Background.** CalEPA oversees the statewide implementation of the Unified Hazardous Waste and Hazardous Materials Regulatory Management Program (Unified Program) that applies regulatory standards to over 160,000 facilities in California. CERS is a web-based application. In 2011, CalEPA deployed CERS to collect and report regulatory data from CUPAs. All regulated businesses and CUPAs regularly use CERS to submit data to the CUPAs and Participating Agencies electronically. In 2020 the CERS application received over 500,000 regulatory submissions. Over one million electronic transfers between CERS and CUPA data systems were completed.

**Staff Recommendation. Approve as budgeted.**

## 3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
## 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
## 3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

### Issue 3: CalEPA Bond and Technical Proposals

**Governor's Proposal.** The Governor's budget requests various bond appropriations, reappropriations, and reversions; and non-bond technical adjustments to continue implementation of existing authorized programs.

**Staff Recommendation. Approve as budgeted.**

## 3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

### Issue 4: California Pesticide Electronic Submission Tracking (CalPEST) Project

**Governor's Proposal.** The Governor's budget requests $4.4 million DPR Fund for 2024-25; $4.1 million in one-time funding with a two-year encumbrance period, and $318,000 ongoing funding to provide ongoing support for the system. The funds requested in this proposal will be used to continue the fourth year of development of the CalPEST system. The first round of implementation, making the system available to all internal and external users, is anticipated for August 2024.

**Background.** Pesticide products and certain structural pest control devices are required to be registered by DPR before the pesticide can be sold, distributed, or used in California. The registration process is currently paper-based and managed manually and sequentially, with limited supporting technology across disparate systems. DPR worked with the California Department of Technology's Statewide Technology Procurement to conduct a three-phase challenge-based procurement from July through December 2021. The system integrator contact was awarded in January 2022.

**Staff Recommendation. Approve as budgeted.**

# 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

## Issue 5: Enforcement Support for Permanent and Sustainable Drinking Water Solutions

**Governor's Proposal.** The Governor's budget requests one permanent position and $250,000 ongoing resources from the Safe Drinking Water Account to support the Division of Drinking Water's (DDW) efforts to implement solutions for communities lacking safe drinking water and enforce the Safe Drinking Water Act. The Office of Enforcement (OE) will provide dedicated enforcement resources to help expedite DDW's efforts to address systems on the Human Right to Water list and provide consistency in structure and performance between DDW's enforcement program and other SWRCB program areas. This position would be a dedicated Attorney position within OE to support DDW's enforcement efforts.

If approved, this Attorney position within OE would assist with legal, analytical work, investigations, progressive enforcement, and formal enforcement of violations of the Safe Drinking Water Act and associated regulations. The one Attorney position will work on matters referred by DDW, particularly where a system is unresponsive to DDW's compliance assistance efforts and/or in situations where the system is a recalcitrant or repeat violator or has egregious violations, such as violations of a maximum containment level. Currently, OE has one Attorney III (redirected from Office of Chief Counsel to OE in April 2022) dedicated to providing legal support to DDW in drinking water enforcement matters.

**Background.** DDW is responsible for the implementation and enforcement of safe drinking water laws and regulations and the regulatory oversight of approximately 7,500 public water systems. Enforcement plays a vital role in providing safe drinking water and can be utilized to address unlicensed or chronically non-compliant systems, improve data collection, ensure regulatory compliance, and achieve better management practices.

DDW is progressing towards a stronger statewide enforcement culture and more routinely utilizes enforcement tools, such as citations, compliance orders, and permit revocations when public water systems violate Safe Drinking Water Act requirements. With more routinized enforcement actions, there is a need for support from the OE to further assist with enforcement consistency among the Districts and Local Primacy Agencies, to facilitate coordination and information sharing, and to integrate drinking water more fully into SWRCB's enforcement portfolio.

**Staff Recommendation. Approve as budgeted.**

## Issue 6: Establishment and Implementation of Instream Flow Objectives in the Scott River and Shasta River Watersheds

**Governor's Proposal.** The Governor's budget requests $711,000 in ongoing funding from the Water Rights Fund for two permanent positions to support establishing and implementing long-term instream flow objectives in the Scott River and Shasta River Watersheds.

**Background.** SWRCB has primary authority over water quality under both the Porter-Cologne Water Quality Act and the federal Clean Water Act. This includes the authority to adopt water quality objectives, including flow objectives, and programs of implementation to achieve those objectives. SWRCB may implement flow objectives by specifying minimum bypass flows in conditions of a water right or by establishing minimum instream flows and curtailing water rights in order of priority. SWRCB can also implement flows through its Clean Water Act water quality certifications associated with Federal Energy Regulatory Commission hydroelectric projects.

Instream flow needs are currently assessed and implemented in two main ways: (1) as part of processing individual water rights applications or (2) through case-by-case enforcement against unauthorized diversion. These approaches do not provide the broader flows needed for fisheries protection because degraded flow and habitat conditions may occur without any individual unauthorized diversion of water. A broader approach to establish and implement flows in the Scott River and Shasta River is intended to make better use of resources than the current water right-specific permitting and enforcement actions used to address inadequate habitat and flow.

This proposal is intended to complement SWRCB's core permitting and enforcement activities and move beyond drought emergency response (that provided immediate and interim fish protection) to long-term protections for the critical fish species in the Scott River and Shasta River watersheds.

**Staff Recommendation. Approve as budgeted.**

## Issue 7: Gualala River Total Maximum Daily Load (TMDL) Stipulated Settlement Agreement

**Governor's Proposal.** The Governor's budget requests $1.706 million Water Discharge Permit Fund (WDPF) in 2024-25 and three permanent positions in response to a lawsuit and required actions outlined in a court-approved Stipulated Settlement Agreement that resolved the litigation. This request includes $1 million in contract funding each year over the next five fiscal years then $706,000 annually thereafter.

This proposal is intended to support the North Coast Regional Water Quality Control Board's (RWQCB) efforts to: 1) satisfy the terms of a Stipulated Settlement Agreement; 2) comply with the Porter-Cologne Water Quality Control Act; and 3) fulfill the agency's obligations under the federal Clean Water Act to protect and restore the Gualala River watershed from its sediment impairment.

**Background.** Recent analyses of the composition of the Gualala River watershed's land distribution shows that there are more than 3,300 individual land ownerships in the watershed, ranging in size from a few acres up to 30,000 acres. Additionally, there are more than 1,600 miles of road within the watershed, and hundreds of individual watercourse crossings that may necessitate individual assessments from professionals familiar with erosion and sediment control.

On July 14, 2021, the Friends of the Gualala River (FOGR) filed a lawsuit alleging the North Coast RWQCB abused its discretion when it enrolled the Gualala Redwood Timer Company's timber harvest plan (THP) under its permit for timber general waste discharge requirements (GWDR) because the enrollment of the THP in the Timber GWDR did not implement the Gualala River TMDL. Additionally, FOGR alleged that the North Coast RWQCB was not meeting federal requirements to incorporate the Gualala River TMDL into its Basin Plan.

The Settlement Agreement obligates new responsibilities upon the North Coast RWQCB, including the creation of a new regulatory program to address road-related sediment discharges on private lands in the Gualala watershed. The North Coast Region has found through experience that efforts to assess, prioritize, and implement actions to remediate poorly constructed roads are complex, difficult, and time-consuming. This work requires technical expertise applied on the ground to ensure activities are done in a manner that improves water quality. Additionally, the work associated with developing Basin Plan amendments, programs of implementation, and non-point source permits is complex and takes significant time and resources both due to the nature of the process as well as the extensive outreach needed to meet legal obligations and to successfully engage with a large group of property owners and stakeholders.

The assessments and the treatments of controllable sediment discharge sources are expensive, and the North Coast RWQCB anticipates that the three staff and the associated contract resources will be fully utilized in the integration of the Gualala River TMDL into the Basin Plan, the development of the program of implementation and the new implementing order, and the various implementation actions that follow. The contract funding resources being requested is intended to help facilitate the prioritization of treatment areas, including some evaluation of the watershed's contemporary conditions, and to support assessment and implementation efforts. This contract is viewed as fundamental to the long-term success of the program of implementation.

**Staff Recommendation. Approve as budgeted.**

## Issue 8: Information Security and Privacy Office Staffing

**Governor's Proposal.** The Governor's budget requests $629,000 ongoing from various funds (Waste Discharge Permit Fund; Safe Drinking Water Account; Integrated Waste Management Account, Integrated Waste Management Fund; Underground Storage Tank Clean Up Fund; Oil, Gas, and Geothermal Administrative Fund; Water Rights Fund; Timber Regulation and Forest Restoration Fund; and the State Water Pollution Control Revolving Fund Administrative Fund) to enhance the Information Security Office (ISO) staffing capabilities and establish a new Privacy Office. SWRCB requests four permanent positions to provide staffing needs in the areas of Privacy, Technical Security and Informational Security Compliance.

ISO requires additional staff to organize into teams (Security Operations and Compliance) with specific functionalities to effectively monitor, analyze cyber-threats, maintain documentation compliance, and ensure the organization maintains a high level of cybersecurity hygiene.

The creation of a separate Privacy Office is intended to ensure the separation of duties, thereby reducing risk associated with conflicts of interest between Information Security Officer/Office and Privacy Officer/Office while under the same reporting structure. This BCP request is intended to bring SWRCB into compliance with specified requirements that include the separation of duties between the Information Security and Privacy Officers and the establishment of a SWRCB Privacy Program.

**Background.** With a current staffing level of three positions, the Information Security Office (ISO) provides a minimal level of cyber-threat analysis and operates in a reactionary environment against cyber-threats. Due to limited staffing resources, proactive threat analysis activities cannot be conducted. Compliance documentation activities are also conducted at a minimum level with the ISO struggling to produce new and updated policies and procedures. Additionally, ISO does not have the dedicated staffing resources necessary to conduct required risk assessments or document System Security Plans on the 70 applications SWRCB uses to conduct its daily operations. Non-compliance with this documentation has been documented in previous California Department of Technology, Office of Information Security audits and is tracked on the quarterly submission of the Risk Register Plan of Action and Milestones (RRPOAM) report.

ISO needs to adapt to an increasingly complex cyber-threat and compliance environment. Current staffing levels cannot address the required network monitoring, incident response needs, and the daily inquiries and compliance regimens generated by an organization of 2700+ employees.

Privacy has been a subdomain of the Information Security Office and initially did not have separate privacy security controls or compliance requirements. Within the last five years, the field of Privacy has evolved into a specialized field which now complements Information Security. SWRCB has not separated the ISO and Privacy Office functions and because of the increasing demands on Information Security Staff, such as increased cyber-threats, compliance requirements, security, and audit assessments, SWRCB is unable to implement mandated privacy requirements and compliance obligations for protecting the private information of SWRCB staff and members of the public. Additional resources are needed for the creation of a new Privacy Office/Program.

**Staff Recommendation. Approve as budgeted.**

## Issue 9: New Groundwater Recharge Permitting Unit

**Governor's Proposal.** The Governor's budget requests $1.2 million in on-going funding from the Water Rights Fund to support five positions to help expedite groundwater recharge permits. The proposed positions – four within the Division of Water Rights and one within the Administrative Hearings Office (AHO) – would review recharge applications, implement new recharge reporting requirements, coordinate with applicants and the Department of Water Resources (DWR) on future recharge projects, help address the water rights permitting backlog, and support hearings for protest resolution.

This proposal would establish four positions within the Division to expedite the review and approval of groundwater recharge permit applications, provide technical assistance to applicants, develop an equitable approach for processing applications for groundwater recharge, and ensure projects are consistent with water rights priorities and protections for fish and wildlife. This proposal would establish one position within the AHO to support the expected increase in water right hearings.

**Background.** Because each groundwater recharge project is unique, it can take SWRCB staff 400 hours (temporary filing) to 1,900 hours (standard filing) on average to process a single groundwater recharge permit, where action may be taken without a water rights hearing. The timeline for processing permits also varies, temporary permits can be completed within about four months while standard permits can take multiple years. At present, SWRCB has six staff with their time predominantly dedicated to groundwater recharge permitting activities. These staff typically conduct limited program development and outreach activities, historically process an average of four temporary permit applications per year, and process multiple ongoing standard water rights applications, including other major projects.

California's growing emphasis on groundwater recharge led to a sharp increase in permitting activities during the 2022-2023 wet season. This included a record number of recharge permits (11) and new reporting requirements that have since been made permanent. SWRCB's current permitting program cannot absorb the increased workload stemming from the new interest and laws.

Local agencies are proposing 340 recharge projects over the next seven years. That equates to about 43 projects per year. It is likely not all those proposals would result in applications for surface water diversion, but it is safe to estimate that at least half will. SWRCB does not have the staffing available to process an additional 21 projects per year because of chronic understaffing and the emergency drought. This proposal would help achieve the goals of the Water Supply Strategy to expand average annual groundwater recharge by at least 500,000 acre-feet and support California's investment in groundwater recharge projects.

There has long been an imbalance in the amount of water rights work (high) compared to the number of water rights staff (low). For example, the permitting section consists of 21 staff and is working on a backlog of 300 applications. Permitting staff focus on finalizing applications, which includes identifying applications that are not being diligently pursued (cancellation), and situations where the necessary findings cannot be made to issue a permit (denial). The permitting section has concentrated efforts in recent years to identify candidates and transfer long-pending applications and other highly complex permitting related matters to the AHO to assist with reaching final action. On average, the permitting section issues 12 permits per year and receives 16 new filings.

The four new positions requested in this proposal would double SWRCB's groundwater recharge permitting capacity, allowing staff to heighten awareness of permitting options through outreach and pre-filing consultations and to boost temporary and streamlined standard applications filings. The additional one position with the AHO is expected to increase the AHO's ability to achieve resolution of water rights permitting proceedings by approximately 50 percent.

These new positions would also continue coordinating with DWR on stakeholder education and outreach related to the existing 180-day temporary permit processes, options for reducing regulatory barriers for local agencies, technical assistance for potential applicants, and assessing water available for recharge. DWR is prioritizing groundwater recharge projects that demonstrate the feasibility of capturing available high flows to recharge local groundwater while minimizing flood risks. Since August of 2022, the Division has met with DWR on a weekly basis to coordinate on groundwater recharge permit applications. The effort resulted in temporary permits for two new projects during the winter of 2022-2023. This collaboration is expected to continue.

**Staff Recommendation. Approve as budgeted.**

## 3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

### Issue 10: Climate Change Resiliency at Toxic Waste Sites

**Governor's Proposal.** The Governor's budget requests five permanent positions with funding of $1.6 million in 2024-25, and $1.2 million ongoing from the Toxic Substances Control Account (TSCA). DTSC also requests reimbursement authority in 2024-25 of $385,000 and $199,000 in 2025-26 for the department to accept funding from the California Natural Resources Agency.

These resources are intended to assess the impacts of climate change on the cleanups at current, historical, and future toxic waste sites and to address those impacts as warranted. DTSC intends to use these resources to enforce the assessment of vulnerabilities at toxic waste sites due to climate change impacts, ensure adaptation plans are prepared to increase remedy resiliency where necessary, provide public information to stakeholders, and prioritize actions where the risks are greatest and threats to vulnerable communities are most severe.

The department proposes to do the following:

- Enhance current GIS-based mapping tools in EnviroStor to facilitate inventorying and prioritizing sites in locations most likely to be impacted by climate change.
- Prepare and regularly update guidance documents for DTSC project managers to assist in

evaluating both active and historic toxic waste sites against various climate change impacts.

- Prepare and implement an internal workplan for climate change activities including identification of resource gaps and prioritization of active and historic sites vulnerable to climate change impacts.
- Develop and implement needed protective measures at orphan sites.
- Perform and/or review the engineering and scientific evaluation of climate change impacts to assure a protective remedy at toxic waste sites utilizing best available science.
- Track and integrate the rapidly evolving body of scientific data and policies regarding climate change into site mitigation approaches.
- Work across state government agencies and with local governments and communities to help them craft pathways of adaptation to help maintain the protectiveness of toxic waste sites in their communities.
- Prioritize sites in vulnerable communities and communicate with the public and stakeholders and respond to their input on the approaches for addressing climate change on toxic waste sites.

A workload analysis indicates a minimum of five permanent positions are necessary to address the immediate needs and provide long-term framework enhancements, training, and ensure remedy resiliency at cleanup sites.

**Background.** As the lead state agency at toxic waste sites, DTSC must ensure ongoing remedial action and the state's previous investments at historic sites are maintained and safeguards taken to prevent future response costs. With climate changes occurring rapidly, DTSC must act now to protect public health and the environment from possible detrimental effects of climate change on the protectiveness of decisions at toxic waste sites.

DTSC’s strategy is to leverage existing expertise on climate change and toxic waste site issues by working across federal, state, and local governments and communities to apply the tools, guidance, and processes to establish pathways of adaptation that continue to protect the public at sites threatened by climate change.

**Staff Recommendation. Approve as budgeted.**

## Issue 11: Meeting Public Demand for Timely Site Cleanup in the Bay Area

**Governor’s Proposal.** The Governor’s budget requests $1.7 million TSCA in 2024-25 and ongoing, $800,000 in reimbursement authority in 2024-25 and ongoing, and nine permanent positions to enable the timely cleanup of contaminated sites in the Bay Area. The work performed by the additional site mitigation staff will yield reimbursements of at least 50 percent of the costs through standard voluntary agreements and orders as part of DTSC’s cleanup and brownfields redevelopment work.

This request is intended to manage increasing workload related to site cleanups overseen by the Berkeley branch of DTSC’s Site Mitigation and Restoration Program (SMRP). This includes eight positions in SMRP, which are reimbursable, and one position in the Office of Environmental Equity (OEE), which is not reimbursable. The purpose of this proposal is to authorize positions for the Berkeley branch that would enable addressing the projects that come in more quickly, and thereby enable maintenance of a steadier workload.

**Background.** The staffing level for the Berkeley branch has not kept pace with the increase in the number of contaminated sites in its jurisdiction requesting oversight. Since DTSC is currently unable to clear active sites through certification as quickly as new sites are added, DTSC has fallen behind in its ability to provide proper oversight.

SMRP staff work on a portfolio of projects over the course of a year. Some projects will be reimbursable—particularly voluntary agreement projects—while other work is not, such as work on orphan site projects or work not directly billable to specific sites. DTSC reviewed 2021-22 actuals by position type/classification at the Berkeley office to determine the share of time attributable to reimbursable projects and found it to be slightly more than 50 percent.

The Berkeley branch executed 36 agreements or orders for oversight per year on average between 2017 and 2022. In 2022-23, the Berkeley branch received 35 applications for oversight, and redirected as many as possible to other DTSC branches, SWRCB, and local county partners because accepting more projects would result in more projects being delayed. However, when a county turns to DTSC for assistance, DTSC is not in a position to refuse because DTSC is the lead oversight agency. In addition, DTSC was selected as the state agency to provide oversight for some sites for consistency with the Memorandum of Agreement (MOA) between DTSC and SWRCB. Therefore, even while minimizing the number of new sites, the Berkeley branch still executed 18 agreements in 2022-23.

The number of sites that have completed remedies and can be certified has decreased in recent years as a result of the increasing staff workload. When staff are spread thin across an increasing number of projects, turnaround times increase, and projects that would reach certification relatively quickly in the past are delayed. Since the current number of authorized positions is not sufficient to certify sites at a rate that would keep the number of active sites steady, there has been significant growth in the number of active sites. Berkeley staff are working to advance projects, but cannot keep up with the number of new orders and agreements coming in.

**Staff Recommendation. Approve as budgeted.**

## Issue 12: National Priorities List and State Orphan Sites

**Governor's Proposal.** The Governor's budget requests a transfer of $20.5 million from TSCA to the Site Remediation Account (SRA) and $20.5 million expenditure authority from SRA in 2024-25 to fund the state's National Priorities List (NPL) obligations and state orphan sites.

**Background.** In partnership with the US Environmental Protection Agency (USEPA), DTSC acts on behalf of the state to remediate sites listed on the NPL. NPL sites are among the most heavily contaminated and difficult to remediate toxic waste sites in the nation. When no viable responsible party can pay for the work at these sites, the federal Comprehensive Environmental Response, Compensation, and Liability act (CERCLA) authorizes investigation of the site to be paid for with federal funds and for response actions to be paid for with a mix of federal and state funds.

Under CERCLA, at NPL sites where no viable potentially responsible party exists, DTSC, acting on behalf of the state, must provide assurances that it will pay a 10 percent state-match for federal remedial action costs while federal funds pay for the remaining 90 percent.

DTSC must also provide assurances to pay for 100 percent of operations and maintenance (O&M) costs at these sites. DTSC pays to investigate hazardous substance releases, construct remedies, and operate and maintain those remedies at state orphan sites in which a potentially responsible party (PRP) fails to comply with an order to address the threat or when there is no financially viable PRP. Unlike at federal NPL sites, DTSC uses the SRA to fund all direct site remediation costs for characterization, remedy selection, remedy implementation, and O&M at orphan sites to address exposure or threat to human health and the environment.

Additionally, costs may be incurred to address conditions that may create an immediate endangerment at a site. Allocation of SRA funds to a site is based on several factors. Federal NPL and state orphan sites are scored and prioritized on a quantitative weighting of exposure (meaning the number and proximity of humans or resources such as drinking water) and threat (meaning risk of damage or harm when exposed) to public health and the environmental impact.

**Staff Recommendation. Approve as budgeted.**

## Issue 13: Universal Waste Electronic Devices Reporting System Modernization

**Governor's Proposal.** The Governor's budget requests one permanent position, $808,000 in 2024-25 and $508,000 ongoing from the Electronic Waste Recovery and Recycling Account (EWRRA) to do the following: (1) implement SB 1215 (Newman), Chapter 370, Statues of 2022, which expands the scope of the Electronic Waste Recycling Act (EWRA) to include additional device categories, address the operational needs of DTSC, (2) minimize security and failure risks posed by the existing system, and (3) provide a modernized reporting system with enhanced features to increase data reliability and compliance, helping to better protect communities and the environment.

The one-time $808,000 request includes $600,000 to develop the new Universal Waste Electronic Devices (UWED) reporting system and $208,000 for a permanent Information Technology Specialist II (ITS II) position. The annual $508,000 request includes the $300,000 annual licensing cost for the new UWED reporting system and $208,000 for the permanent ITS II who will provide IT support during and after the implementation contract of the new UWED reporting system.

**Background.** Since the establishment of the EWRA in 2003, approximately 2.2 billion pounds of covered video display devices have been recycled. With electronics technology rapidly evolving and electronics becoming more intricate, specialized, and ubiquitous, SB 1215 addressed the broadening scope of electronic technologies by expanding the EWRA definition of "covered electronic device" to include a "covered battery-embedded product," (CBEP). SB 1215 defined CBEP as a new or refurbished product containing a battery that is not intended to be easily removed from the product by the consumer with no more than commonly used household tools.

CBEPs are required to be identified and added to the device categories in the UWED database for reporting and tracking purposes. The data available in UWED is essential for DTSC and CalRecycle to ensure that CBEP handlers comply with all universal waste handling requirements.

The existing UWED system was developed in the early 2000s. It was built on a legacy application platform in which feature and capability enhancements/additions are no longer supported. Due to the outdated programming language used in developing UWED, changes to the current system may present security and incompatibility risks, impacting current system functions and business continuity. In addition, the UWED system does not meet current state security standards, thus making DTSC vulnerable to cyberattack.

The current UWED system lacks in its ability to perform checks on the data and information the users input. This could lead to data that is inconsistent and unreliable. Because of this, DTSC is hindered in its ability to effectively and efficiently track e-waste handler activity and the movement of e-waste within and out of the state.

**Staff Recommendation. Approve as budgeted.**

# 3970 Department of Resources Recycling and Recovery (CalRecycle)

**Issue 14: Covered Electronic Waste Recycling Fee Subaccount Abolishment (TBL)**

**Governor's Proposal.** The Governor's budget requests trailer bill language (TBL), which includes a technical amendment to abolish the Covered Electronic Waste Recycling Fee Subaccount (Fund 3417), leaving the Electronic Waste Recovery and Recycling Account (Fund 3065) as the fund in which all covered electronic waste recycling fees collected from sales of covered electronic devices, are deposited. The TBL proposes to retain the Covered Battery-Embedded Waste Recycling Fee Subaccount (Fund 3418) as the fund for covered battery-embedded waste recycling fees collected from sales of covered electronic devices. This will eliminate the requirement to perform a transfer each year, and all fund users can maintain their existing direct appropriations to the EWWRA.

**Background.** The Electronic Waste Recycling Act of 2003 (EWRA) requires a retailer selling a covered electronic device in this state to collect from a consumer a covered electronic waste recycling fee at the time of retail sale, as specified. EWRA requires all fees collected under the act to be deposited in the Electronic Waste Recovery and Recycling Account (EWWRA); and outlines other requirements for the fee's establishment, adjustment, and administration. Money in the account is continuously appropriated for specified purposes, including, but not limited to, paying covered electronic waste recycling fee refunds, and making electronic waste recovery and recycling payments.

**Staff Recommendation. Approve as budgeted.**

**Issue 15: CalRecycle Integrated Information System (CRIIS)**

**Governor's Proposal.** The Governor's budget requests continued project funding of $13.1 million in 2024-25 from the California Beverage Container Recycling Fund (BCRF) for the CalRecycle Integrated Information System (CRIIS). CRIIS is an extensive ongoing initiative to migrate the California Beverage Container Recycling Program's (BCRP) current application, which is called the Division of Recycling Integrated Information System (DORIIS), into a modern, stable, cloud-based platform. CRIIS is intended to achieve the goal of consolidating all CalRecycle program applications into an enterprise solution.

CalRecycle requests funding to continue developing CRIIS, and to procure the support necessary for a successful transition from aging siloed systems to a single solution. CRIIS will replace DORIIS and provide a cohesive, consistent, and updated system. CRIIS will also build a framework for future growth and enable consolidation of other IT systems to achieve legislatively-mandated recycling goals and a circular economy.

**Background.** BCRP was created in 1988 and considerable state infrastructure has been built to implement and oversee this program. With more than $1.5 billion flowing through BCRP annually, large investments have been made in the certification and management of participants and their receivable and payable accounts, inspections, investigations, collections, and audits to ensure proper accounting and financial processes.

DORIIS is an aging, high-profile system that only serves one division within CalRecycle. If this system were to fail, CalRecycle is at risk of delay for collecting and invoicing millions of dollars and failing to meet state-mandated requirements. DORIIS processes nearly one million user transactions per year and allows for the management of over $1.5 billion in program receipts and invoices annually. The average cost of DORIIS is $3 million annually and requires a contract with an outside vendor since the department does not have the skill set or expertise to support the technology.

CalRecycle is looking to build a centralized enterprise system that will track recycling and management of all material programs within its purview; and that can be operated by state staff and maintained by IT services. Since DORIIS is a very complex system, this transition will need to occur first. A centralized enterprise system for all of the department's material management programs would also support the department's works to achieve the state's many recycling goals and build a circular economy — a single enterprise system is intended to create efficiencies in material tracking, stakeholder management, stakeholder interaction, and enhance program administration.

The CRIIS project received approval in March 2023. As a single enterprise system, CRIIS will move CalRecycle towards aligning its multiple, aging applications as well as streamlining and standardizing processes, maximizing compliance, increasing fraud prevention, and providing transparency for management and stakeholders. In addition, CRIIS will increase automation, functionality, and the ability to collect revenue.

The CRIIS project will impact 800+ internal CalRecycle users and an estimated 25,000+ external users and stakeholders. Examples of stakeholders include beverage manufacturers, distributors, retailers, recycling centers, processors, and grantees. CalRecycle plans to transition maintenance and support of the newly expanded CRIIS system from a vendor to state staff resources post-implementation and will require training and certifications for in-house staff. This is a multi-year effort to consolidate existing systems with ongoing expansion and inclusion of future programs.

**Staff Recommendation. Approve as budgeted.**

# DISCUSSION

## 8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

### Issue 16: Blythe Border Protection Station Replacement

**Governor's Proposal.** The Governor's budget requests $99.3 million Public Buildings Construction Fund for the California Department of Food and Agriculture to begin the construction phase for the Blythe Border Protection Station Replacement Project.

**Background.** CDFA maintains a system of 16 BPSs on the major roadways into California to prevent invasive species from entering the state. Invasive species threaten the safety of California's food supply; kill urban and forest trees; reduce natural biodiversity by out-competing native species; clog waterways and water delivery systems; render rangeland, recreational areas and other public and private lands unusable; result in trade restrictions; and increase pesticide and herbicide use. Invasive species are economically and environmentally devastating to California agriculture and natural habitats. According to CDFA, approximately 95 percent of all invasive species that have become established in California have been introduced as hitchhikers on materials brought by people driving into California in private vehicles. Invasions of the Glassy-winged Sharpshooter, Red Imported Fire Ant, and Mediterranean Fruit Fly serve as examples of potential economic and ecological effects of invasive species. Studies show that on a national level, every dollar spent on the exclusion and early detection of exotic and invasive species saves an average of $17 in future expenses.

The existing Blythe Border Protection Station is located on Interstate 10, approximately 4 miles east of Blythe, CA in Riverside County. The proposed project will include:

- Five vehicle inspection lanes,
- A vehicle office building (approximately 4,200 gross square feet), that includes support spaces for visiting cooperative agencies and California Highway Patrol.
- Four truck inspection lanes
- Truck office building (approximately 2,900 GSF).
- Bypass lanes for the north and south sides of the vehicle inspection stations for oversized loads.

Supporting site improvements for the Blythe Border Protection Station Replacement Projectwill include:

- Transitioning lanes to the new nine lane BPS from westbound Interstate 10 and then again back to Interstate 10.
- Frontage road improvements, including Hobsonway, a new off/on ramp from westbound Interstate 10 to East Hobsonway
- The existing westbound Hobsonway ramp within the California Department of Transportation's right of way will be demolished and a new Hobsonway ramp will be constructed.

The Blythe Border Protection Stations was built in 1958 and, according to CDFA, is inadequate for modern traffic levels. The Blythe BPS was designed to accommodate 600,000 vehicles annually. In the first full year of operation, 1959, total traffic was measured at 747,250 vehicles. Traffic measured 4,045,232 in 2021, almost seven times the traffic volume the station was designed to accommodate. The table below shows the volume of traffic annually.

| **Blythe – Traffic Trend** | |
|---|---|
| Year | Traffic |
| 2022 | 5,247,391 |
| 2021 | 4,045,232 |
| 2020 | 4,634,359 |
| 2019 | 4,738,144 |
| 2018 | 4,329,809 |
| 2017 | 5,657,500 |
| 2016 | 5,602,750 |
| 2015 | 5,383,750 |
| 2014 | 4,927,500 |
| 2013 | 4,653,750 |
| 2012 | 4,471,250 |
| 2007 | 5,000,500 |
| 2002 | 4,343,500 |
| 1997 | 3,449,250 |

*Source: Department of Finance*

CDFA indicates the project will be constructed in two phases: Phase I for the city-owned Hobsonway Road and associated utilities relocation, and Phase II for the remainder of the project including the Caltrans roadway, structures, site utilities, amenities, and improvements. The proposed Phase I of the project is scheduled to begin June 2025 and be completed in June 2026. The Phase II construction for the overall project is scheduled to begin in June 2026 and be completed in November 2027.

**Staff Recommendation.** Hold Open.

# 3100 EXPOSITION PARK

## Issue 17: Exposition Park Capacity Building

**Governor's Proposal.** The Governor's budget requests $479,000 Exposition Park Improvement Fund and $84,000 in reimbursement authority in 2024-25 and ongoing for four positions to address increased workload in Exposition Park.

**Background.** The Office of Exposition Park Management, the Science Center, and the California African American Museum (CAAM), are located in Exposition Park, a 152-acre tract in south Los Angeles, which is owned by the state. For budget purposes, these three departments are collectively known as Exposition Park.

The Office of Exposition Park Management provides long-term leadership in the development and implementation of park usage policy and day-to-day management, operation and promotion of the park for its tenants and the public. The mission of the Science Center is to stimulate curiosity and inspire science learning. The mission of CAAM is to research, collect, preserve, and interpret, for public enrichment, the history, art, and culture of African Americans with an emphasis on California and the western United States.

According to Exposition Park, increased visitors and activities at Exposition Park, Park, the demand on the Office of Exposition Park Management's (OEPM) capacity has grown. The proposed staff positions are intended to create operational efficiencies and support expanded events, facilities, management, and communications and business development needs. OEPM requests the following four positions.

> <u>One Event Coordinator</u>. According to OEPM, the event coordinator will support efforts to generate additional revenue for the Exposition Park Improvement Fund to be used for park-wide operations and improvements though oversight of increased activation of Park property for rental usage, as well as exploration of multiple revenue streams. Due to the growing demands for facility use, the OEPM has resorted to mandated overtime to cover critical events. This position is intended to provide adequate staffing support for event management and will be reimbursable from events held throughout the Park.
>
> <u>One Exposition Park Facilities Manager</u>. According to OEPM, the Facilities Manager will be responsible for overseeing maintenance and facility improvements, as well as providing oversight of approved major capital outlay projects, including a future underground parking garage and park project, which will facilitate significant revenue generation for the Park. These projects are needed to support the Park's Master Plan and efforts towards preparing the Park to host the 2028 Summer Olympics and Paralympics. The Park requires significant repairs, which are essential to the safety of the Park and its millions of annual visitors. This position will also be responsible for managing short- and long-term maintenance of various mechanical, electrical and plumbing (MEP) and Fire & Life Safety (FLS) systems.
>
> <u>One Operations Assistant</u>. According to OEPM, this position will be filled by an Associate Governmental Program Analyst (AGPA) to provide essential executive leadership support including assistance with continuous engagements with the Board of Directors, coordinating schedules and meetings, and assisting with reporting deadlines. The AGPA will also assist the OEPM staff with general operations such as interactions with, as well as dissemination of information to the Board, the public, and Park partners regarding major and critical events impacting daily operations of the park.

<u>One Strategic Communications</u>. According to OEPM, Exposition Park does not currently have a unified communication or business development strategy. This position is intended to lead strategic communications, formulate policies and operation to develop private partnerships and business development opportunities. This position will also be responsible for the formulation, operation, and/or evaluation of program policies.

**Staff Recommendation.** Hold Open.

**Issue 18: Southeast Underground Parking Structure**

**Governor's Proposal.** The Governor's budget requests $352 million Public Building Construction Fund for Exposition Park for the design-build phase of Exposition Park's Southeast Underground Parking Structure project to construct an underground parking structure with a public park on its top-deck with an adjacent headquarters and community center.

**Background.** In 2023-24, the Legislature provided $14 million from lease revenue bonds for the performance criteria for this project. The total project cost is estimated at $366 million.

The scope of the project includes, but is not limited to:

- An underground parking structure/garage with no less than 1,500 spaces.
- Structure/garage with adequate load baring infrastructure to hold a nearly 6-acre park cap that will serve as park space for the community and can host large festivals or outdoor events.
- EV Charging stations.
- Parking automation.
- Security Cameras.
- Distributed Antenna System (DAS) for cellular support.
- Parking management offices and facility storage.
- Public restrooms.
- Freight/service elevator.
- All necessary systems to support the underground structure including backup generator(s), CO2 detectors with automatic exhaust fans, sump pump(s), fire suppression systems, emergency phones, Wi-Fi and lighting system.
- Landscaping, trees, shrubbery, and flowers.
- Walking paths.
- Hydration stations.
- Wind and solar art installations.

**Legislative Analyst's Office (LAO) Comments.** Since the Legislature last considered this project in 2023-24, the condition of the General Fund has deteriorated. Additionally, the LAO and the Department of Finance now forecast substantial ongoing deficits—roughly $30 billion annually—in 2025-26 through 2027-28. In light of the state's worsening budget picture, the LAO thinks the Legislature should be very cautious about adopting new proposals that could exacerbate the state's budget problems—not only in the budget year but also in future years—and contribute to the Legislature potentially needing to make painful cuts to existing state programs in the future.

With that context in mind, we note that the design-build phase of the underground parking structure project is anticipated to be quite costly—over $350 million. The administration proposes to borrow money to fund these costs by issuing lease revenue bonds. The LAO estimates that the debt service payments for these lease revenue bonds would total roughly $25 million per year for 25 years. How much of these debt service payments will be repaid by the General Fund still is unclear. This is because the administration indicates that it expects to use some combination of two sources—General Fund and Exposition Park Improvement Fund (EPIF)—to repay the bonds issued to support the project, but it has not yet determined the share that will come from each source. Despite this uncertainty, based on the condition of the condition of EPIF (which is already running an operating deficit), significant General

Fund support likely would be required. This, in turn, would put additional pressure on the already strained General Fund.

The LAO also notes that when the Legislature considered this project in 2023-24, the budget proposal identified that the project would construct an underground parking structure with a public park on its top deck to replace existing surface parking at Exposition Park. That proposal did not mention that the project would also construct an adjacent 3-story, 43,000-square-foot headquarters and community center. The administration indicates that the omission of these project components from the project description was a labeling oversight. Regardless, this omission creates uncertainty around whether the Legislature intended to fund these project components. Furthermore, a lack of clarity also exists regarding whether these project components are needed on an urgent basis or could be deferred until a later date when the General Fund might be in a better position to support them.

**LAO Recommendations.** First, LAO recommends the Legislature consider whether continuing to fund this project remains a high legislative priority given the deterioration in the condition of the General Fund over the past year. This is because the debt service payments for this costly project are anticipated to be roughly $25 million per year for 25 years, and we expect that a significant portion of these costs may need to come from the General Fund.

Second, if the project continues to be a high priority for the Legislature, the LAO recommends it consider whether it wants to move forward with the full proposed scope at this time or consider approving a reduced scope in line with the project description that was provided in the 2023-24 budget proposal. That more limited scope included constructing an underground parking structure with a public park on its top deck to replace existing surface parking at Exposition Park but did not include constructing an adjacent headquarters and community center. The Legislature could then revisit whether to fund these other components at a later date when the condition of the General Fund improves.

**Staff Recommendation.** Hold Open.

# 3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

## Issue 19: Sustainable Funding for Pest Management at DPR (BCP & TBL)

**Governor's Proposal.** According to the LAO:

The Governor proposes several changes to increase revenues into the DPR Fund which would generate a total of $30.4 million of new revenues in 2024-25 (growing to $43.9 million in future years). Of this amount, $9.8 million would address the structural deficit and $17.8 million would be used to expand programs and activities (growing to $32.5 million). The increased revenues would be generated by: (1) increasing the mill assessment ($22.1 million in 2024-25, growing to $33.8 million), (2) increasing registration fees through regulations ($6.3 million in 2024-25, growing to $7.2 million), and (3) increasing licensing fees through regulations ($2 million in 2024-25, growing to $2.9 million). The proposal also would provide $717,000 from the Greenhouse Gas Reduction Fund (GGRF) on an ongoing basis to support additional programmatic expansions for the department. The LAO describes these proposals in more detail below.

***Increases Mill Assessment Over a Three-Year Period, Authorizes DPR to Increase Further in Future, Sets New Statutory Caps.*** The Governor proposes budget trailer legislation that would increase the mill assessment over a three-year period from the current level of 21 mills to (1) 26 mills in 2024-25, (2) 27.5 mills in 2025-26, and (3) 28.6 mills in 2026-27. Beginning in 2027-28, the proposal would authorize DPR to further adjust the mill assessment as needed to align revenues with expenditures approved by the Legislature in the annual budget act, not to exceed a new statutory cap of 33.9 mills. The proposal would maintain the structure of the assessment as a flat rate and would not authorize the department to charge differential rates, such as tiering based on the acute toxicity of pesticides (as had been proposed previously) or for priority pesticides. The administration estimates that its proposed increases would generate an additional $22.1 million in 2024-25, growing to $33.8 million in 2026-27 when the rate is set at 28.6 mills.

The Governor's proposal also would increase the statutory cap for the additional mill assessment levied on agricultural use pesticides. Specifically, the current cap of .75 mills would be raised to 1.04 mills. As under current law, the California Department of Food and Agriculture (CDFA) would have the authority to increase this additional mill assessment in coordination with DPR to ensure that it is properly resourced to provide pesticide consultation services to DPR—as long as it does not exceed the cap. The administration indicates that CDFA does not anticipate raising this additional mill assessment in 2024-25 even if it is granted authority to do so.

***Utilizes Additional Revenues to Address Structural Deficit and Support Additional Program Spending.*** In addition to addressing the structural deficit within the DPR Fund, the proposal would generate additional revenues to support various programmatic expansions for DPR. The proposal also would provide a small amount of ongoing GGRF to support additional programmatic expansions for the department, which is discussed in greater detail below. As shown in the figure below, the proposal would provide DPR with an additional $18.5 million in 2024-25 beyond what is needed to address existing workload. This would cover 65 new positions in 2024-25, increasing to $33.2 million and 117 positions in 2026-27 and ongoing. (In addition to the ongoing amounts displayed in the figure, the proposal includes about $100,000 from the DPR Fund on a one-time basis in 2026-27 for travel support related to inspections.)

**Governor's Proposed Spending Increases for DPR**
(Dollars in Millions)

| Activity | 2024-25 Funding | 2024-25 Positions | 2025-26 Funding | 2025-26 Positions | 2026-27 and Ongoing Funding | 2026-27 and Ongoing Positions |
|---|---|---|---|---|---|---|
| **Process Improvements and Safer Alternatives** | **$9.5** | **35** | **$15.7** | **58** | **$17.9** | **64** |
| Alternative pest management grants and support | $4.3 | 7 | $6.7 | 11 | $7.7 | 11 |
| Administrative support | 3.1 | 14 | 4.7 | 22 | 4.7 | 22 |
| Pesticide registrations and reevaluations | 1.1 | 7 | 1.7 | 10 | 2.2 | 12 |
| Pesticide environmental evaluations | 0.9 | 6 | 2.2 | 13 | 2.9 | 17 |
| Pesticide human health evaluations | 0.2 | 1 | 0.4 | 2 | 0.4 | 2 |
| **Statewide Service Improvements** | **$5.5** | **18** | **$7.1** | **22** | **$9.1** | **33** |
| Pesticide monitoring and data evaluation | $3.2 | 7 | $3.2 | 7 | $3.9 | 11 |
| Pesticide takeback events | 0.6 | 1 | 1.1 | 1 | 1.1 | 1 |
| Product compliance and mill auditing | 0.6 | 5 | 0.6 | 5 | 1.0[a] | 7 |
| State pesticide enforcement actions | 0.3 | 1 | 0.3 | 1 | 1.2 | 6 |
| Fumigation tarp testing | 0.3 | — | 0.3 | — | 0.3 | — |
| Worker Health and Safety Program | 0.3 | 2 | 0.4 | 3 | 0.4 | 3 |
| Regulation development | 0.3 | 2 | 0.3 | 2 | 0.3 | 2 |
| Licensing and Certification Program | 0.1 | — | 1.0 | 3 | 1.0 | 3 |
| **Support for CACs and Outreach** | **$3.5** | **12** | **$5.6** | **19** | **$6.3** | **20** |
| Training and compliance support for CACs | $2.0 | 5 | $2.5 | 5 | $3.2 | 6 |
| Local engagement and outreach | 1.5 | 7 | 3.0 | 14 | 3.1 | 14 |
| **Totals** | **$18.5** | **65** | **$28.3** | **99** | **$33.2** | **117** |

[a] In addition to the ongoing amount, the proposal includes about $100,000 from the DPR Fund on a one-time basis for travel support related to inspections.

Note: Totals may not add due to rounding. All additional spending and positions are supported by the DPR Fund, except $717,000 from GGRF to support four positions and air monitoring activities.

DPR = Department of Pesticide Regulation; CACs = County Agricultural Commissioners; and GGRF = Greenhouse Gas Reduction Fund.

*Source: LAO*

As shown in the figure above, a significant portion of this funding would go towards alternative pest management grants and support activities. Other major new spending includes support for (1) enforcement activities, such as investigating pesticide use violations and tracking pesticide residue levels on fresh produce; (2) pesticide registrations, such as reducing the time needed to complete registrations and expediting the approval of safer alternatives; and (3) pesticide evaluations and monitoring, such as identifying and reevaluating pesticides for which actions might be needed to reduce or eliminate adverse impacts.

Most of the programmatic expansions from the DPR Fund would be supported by the additional revenues generated from increasing the mill assessment, while a smaller amount would come from new revenues associated with DPR increasing registration and licensing fees and from GGRF. In cases where projected revenues exceed proposed expenditures, DPR would use the remaining funding to address the structural deficit and build sufficient reserves within the DPR Fund.

***DPR Would Increase Registration and Licensing Fees to Align With Additional Expenditure Authority.*** In several cases, the proposal would provide additional expenditure authority from the DPR Fund to augment the department's Registration Program and Licensing and Certification Program. Both programs are directly supported by their respective regulatory fees. The proposal would continue with this practice by having these augmentations be supported by fees instead of the mill assessment. However, in order to fully support these proposed expansions, DPR would need to use its existing authority to increase both registration and licensing fees through the regulation process. The department indicates the exact fee increases it would implement still are uncertain and that it would plan to hold public workshops in 2024 to discuss potential changes. Despite this uncertainty, the administration estimates that the forthcoming increases would generate an additional $8.3 million in 2024-25

($6.3 million from registration fees and $2 million from licensing fees), growing to $10.1 million by 2026-27 and thereafter ($7.2 million from registration fees and $2.9 million from licensing fees).

***Provides Some New Funding From GGRF for Air Quality Monitoring and Outreach Activities.*** The proposal also would provide $717,000 from GGRF and four positions in 2024-25 and ongoing to support pesticide air monitoring and data evaluations and stakeholder engagement. The department indicates that this work is related to the community air pollution monitoring and reduction program established by AB 617 (C. Garcia), Chapter 136, Statutes of 2017.

***Includes Several Policy Changes.*** The Governor proposes budget trailer legislation that would make several changes, including the following:

- ***Changes Mill Assessment Payer Responsibility.*** The proposal would require the mill assessment to be paid by the entity that first sells a pesticide into the state. This contrasts with current law, under which it is paid by the entity who has registered the pesticide. DPR indicates that this change would address payment responsibility issues related to online retail and align the mill assessment with how the state collects other fees and taxes.
- ***Extends Statute of Limitations for Mill Assessment Payment Violations Found in Audits.*** The proposal would extend the current statute of limitations for DPR to take enforcement actions when audits reveal mill assessment payment violations. Currently, the department must bring enforcement actions within four years of the occurrence of the violation. The proposal would allow DPR to bring enforcement actions on violations that have occurred within four years of the audit's commencement, but no later than two years after the audit's completion. DPR indicates that this extended timeline would better reflect the period it needs to complete audits and take corresponding enforcement actions.
- ***Extends Statute of Limitations for Pesticide Use Violations.*** Currently, enforcement actions on pesticide use violations must be brought by DPR or County Agricultural Commissioners (CACs) within two years of the occurrence of the violation. The proposal would extend this timeline to three years. The department indicates that this change would better reflect the time needed to investigate and bring enforcement actions for pesticide use violations.
- ***Authorizes DPR to Enforce California's Laws on Out-of-State Pesticide Dealers.*** The proposal would authorize DPR to levy administrative penalties of up to $15,000 on violations related to pesticide dealers, such as when entities act in this role without a license. Currently, the authority to levy administrative penalties related to pesticide dealers resides solely with CACs. DPR indicates taking enforcement actions on out-of-state pesticide dealers would be a more appropriate role to assign to the state, since the primary role of CACs is to be the main enforcement authorities within their jurisdictions.
- ***Exempts Emergency Pesticide Use Authorizations From California Environmental Quality Act (CEQA) Review.*** CEQA requires state and local agencies to consider the potential environmental impacts associated with potential public or private projects or activities. Federal law authorizes the US Environmental Protection Agency to allow federal and state agencies (such as DPR) to permit the unregistered use of a pesticide to address emergency conditions. For example, this might occur when no other registered pesticides are available to control a serious pest problem that would result in significant economic losses or cause adverse environmental impacts. These emergency authorizations are only permitted for a limited time within a defined geographical area and usually involve pesticides that have been registered for other uses (such as for different crops). The proposal would exempt such emergency pesticide use authorizations from requiring a CEQA review.

**LAO Background.** According to the LAO:

***DPR Is Responsible for Regulating Pesticides.*** DPR is charged with protecting public health and the environment by regulating pesticides. The department is responsible for evaluating and registering pesticide products at the state level. This includes the continuous review of pesticides and, if needed, the formal reevaluation of products to identify actions needed to reduce or eliminate adverse impacts. DPR also is responsible for licensing individuals and businesses that sell, consult on, or apply pesticides. Additionally, the department tests pesticide residues on fresh produce and oversees local enforcement of pesticide use laws and regulations by CACs. DPR and CACs have the authority to discipline those who violate state pesticide laws and regulations, such as through levying administrative penalties. Finally, the department offers grants and conducts outreach activities to encourage the adoption of alternative pest management practices. Historically, about 90 percent of DPR's budget has been supported by the DPR Fund with the remaining amount coming from other special funds and federal funds.

***DPR Fund Is Used to Support the Regulation of Pesticides.*** The DPR Fund is a repository of taxes and fees paid by pesticide retailers, wholesalers, and businesses. The state uses the fund to support state and local activities related to regulating pesticides. The majority of the fund's resources are provided to DPR to support its core functions and responsibilities. Roughly one-quarter of the DPR Fund's revenues are provided to CACs as partial reimbursement for their pesticide enforcement activities. Expenditures from the DPR Fund are expected to total roughly $138 million in 2023-24.

***DPR Fund Is Made Up of Revenues From Tax on Pesticide Sales And Several Fees.*** The DPR Fund is primarily supported by three main funding sources: the mill assessment, registration fees, and licensing fees:

- ***Mill Assessment.*** The largest revenue source for the DPR Fund—about 80 percent—is the mill assessment, a tax levied on pesticides when first sold into or within the state. In 2023-24, the mill assessment is estimated to raise about $100 million. The mill assessment is currently set at the statutory maximum level of 21 mills, or 2.1 cents per dollar of sales. Revenues derived from 7.6 mills are statutorily directed to CACs. The remaining amount is used primarily to support several DPR activities, such as pesticide enforcement, monitoring and surveillance, reevaluations of potential pesticide impacts, and alternative pest management grants and outreach.
- ***Registration Fees.*** Registration fees account for about 16 percent of the fund's total revenues. All pesticides must be registered with DPR before they can be sold or used in the state. Registration fees are collected both at the time of initial product registration and through annual renewals. In 2023-24, registration fees are estimated to raise about $25 million. DPR uses these revenues to directly support its workload in registering pesticides. Statute authorizes DPR to adjust fees through the regulatory process to ensure that revenues fully support the department's Registration Program.
- ***Licensing Fees.*** Licensing fees—which are paid biennially by pesticide professionals and businesses—account for about four percent of the fund's total revenues. In 2023-24, licensing fees are estimated to raise about $2 million. DPR uses these revenues to directly support its workload in licensing and certifying pesticide professionals and businesses. Statute authorizes DPR to adjust fees through the regulatory process to ensure that revenues fully support the department's Licensing and Certification Program.

***Additional Mill Assessment Levied on Agricultural Use Pesticides.*** The state also levies an additional .75 mills on agricultural use pesticides. In 2023-24, this additional assessment is estimated to raise about $2 million. These revenues go to the Department of Food and Agriculture Fund—not the DPR Fund. This funding supports CDFA in providing consultation services to DPR on certain regulatory actions.

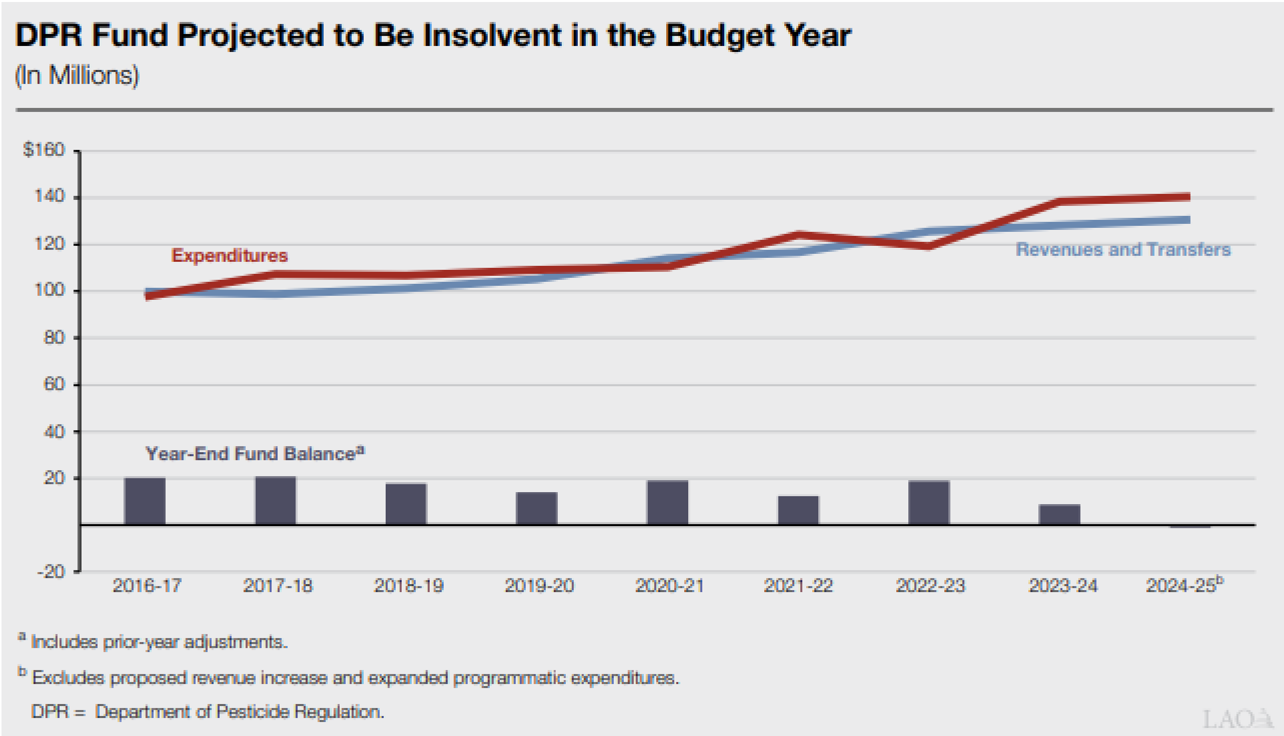
***Legislature Has Taken Some Short-Term Actions in Response to DPR Fund's Structural Deficit.*** In recent years, the growth in expenditures from the DPR Fund has outpaced growth in revenues, creating a structural deficit within the fund. This is primarily due to revenues from the capped mill assessment being unable to keep pace with costs associated with expanded DPR programmatic responsibilities that have been enacted through legislation. The Governor's 2021-22 budget included a proposal to increase and tier the mill assessment. Under that proposal, more acutely toxic pesticides would have been charged a higher rate (or tier). The additional funding generated would have been used to address the fund's structural deficit and support various programmatic expansions across DPR, CDFA, and CACs. The Legislature rejected the proposal and instead provided General Fund resources of $10.3 million in 2021-22 and $8.8 million in 2022-23 to DPR. The funding provided relief to the DPR Fund and supported alternative pest management grants and outreach, environmental monitoring, and pesticide take-back events hosted by CACs. Budget bill language also directed DPR to use a portion of the funding to hire a consultant to study tiering the mill assessment.

***DPR Developed a Sustainable Pest Management (SPM) Roadmap.*** In January 2023, the department released its SPM Roadmap, which includes strategies to transition the state to safer, more sustainable pest management. Actions in the plan include expediting the registration of new pesticide products, supporting research of and outreach for alternatives to high-risk pesticides, and expanding monitoring and data collection. A key goal of the roadmap is to eliminate the use of "priority pesticides" by 2050. The plan defines priority pesticides as those that warrant attention and planning to expedite their replacement and elimination; but does not list any specific pesticides as falling into this category. The criteria for priority pesticides include factors such as risk level and the availability of effective alternatives. The plan states that DPR will take future steps to identify which pesticides should receive this categorization under the advisement of a multi-stakeholder committee.

***Independent Contractor Examined Funding Needs for DPR and Appropriate Structure for Mill Assessment.*** In August 2023, the independent contractor that DPR hired to conduct the statutorily directed study released its final findings and recommendations. These included:

- ***Set Mill Assessment at a Flat Rate in the Near Term.*** The report recommended that the mill assessment initially be set at a flat rate—such that all pesticides are assessed the same tax rate—increasing from 21 mills to 33.9 mills over a three- to five-year period. It also recommended allowing the mill assessment to be adjusted up to a cap to be set in statute.
- ***Generate Additional Funding to Expand DPR's Activities.*** The study recommended that the mill assessment be set at a level sufficient to generate revenues above what is needed to cover the structural deficit to enable DPR and CACs to address identified programmatic needs at an expanded level, and to provide an additional amount to CDFA to support its pesticide consultation services.
- ***Consider Tiered Mill Assessment Structure in the Future.*** The report recommended that DPR revisit the possibility of adopting a tiered mill assessment once it has made progress in identifying priority pesticides pursuant to its SPM Roadmap. Under a tiered model, the state would levy a higher mill assessment on products that the department categorizes as priority pesticides. The report noted that such an approach likely would not incentivize the purchase of safer alternatives, but rather would (1) signal a need for alternatives and (2) generate additional revenues that could be used to support the research of and outreach for alternatives.
- ***DPR Has Additional Needs.*** The report found that DPR's registration and licensing programs—which are not supported by the mill assessment—also have unfunded programmatic needs.

***DPR Fund Projected to Be Insolvent in 2024-25.*** Because the steps the Legislature took to provide relief to the DPR Fund relied on temporary General Fund support, the fund's structural deficit remains.




*Source: LAO*

As shown in the figure above, the administration projects that the DPR Fund will be insolvent in the budget year—meaning it will not have sufficient revenues to cover projected expenditures. Specifically, projected expenditures of $140.5 million will exceed the anticipated available resources of $139.3 million from revenues and reserves (from the prior-year end fund balance), resulting in a $1.2 million gap. The ongoing structural gap is even larger without the fund's reserves to help cover expenditures. (These totals reflect projections of what would occur in 2024-25 absent the Governor's proposed new revenues and expenditures.) As shown, the revenues that support the fund have grown steadily in recent years, including a notable increase around 2019-20 resulting from pandemic-related pesticide sales (such as household disinfectants). At the same time, expenditures have continued to increase at an even faster rate due to augmented activities related to pesticide enforcement and additional staff approved to support the registration and reevaluation of pesticides.

**LAO Assessment.** According to the LAO:

***Increasing Mill Assessment Is Justified.*** Overall, the LAO finds two key justifications for the state to increase the mill assessment. First, it has not been increased since 2004. Given the considerable amount of time since its last adjustment, an increase is warranted to ensure that it both aligns with current department expenditures and is able to support new state priorities related to pesticides going forward. Second, increasing the mill assessment to support these activities aligns with the "polluter pays" principle, whereby those who produce or otherwise contribute to pollution (such as environmental impacts from pesticides) should bear the associated regulatory costs of managing and preventing damage to public health and the environment.

***Flat Increase to the Mill Assessment Represents Reasonable Approach.*** The LAO finds that a flat increase to the mill assessment, as the Governor has proposed, is a reasonable approach. This structure has several benefits. For instance, a single tax rate is easier for the state to administer and offers a more predictable revenue stream. It also is simpler and more predictable for the entities that pay the tax. A flat increase also aligns with the recommendations in the independent contractor's report. The report analyzed various ways in which the state could tier the mill assessment, but ultimately found that a flat increase was the most appropriate structure until the department has begun identifying priority pesticides. Given the department still is in the beginning stages of identifying priority pesticides—with much of this work dependent on the expanded staffing the Governor proposes—adopting plans to implement a tiered mill assessment structure now would be premature.

***Proposal Would Solve Structural Deficit Within the DPR Fund and Allow for Future Growth in DPR and CDFA Activities.*** The Governor's proposal would address the structural imbalance within the DPR Fund on an ongoing basis. Specifically, the proposed increases to the mill assessment would provide sufficient new revenues for the DPR Fund to address its current structural deficit and cover DPR's existing workload on an ongoing basis. Furthermore, raising the statutory cap and providing DPR with authority to make future increases to the mill assessment also would add to the ongoing stability of the fund by establishing a way for revenues to keep pace with the expenditure levels the Legislature sets through the annual budget act. Authorizing this "room" for revenues to grow also can provide the Legislature with greater confidence that it will be able to assign necessary responsibilities to the department in the future without placing excessive pressure on the DPR Fund. Similarly, the proposed increase in the statutory cap for the mill assessment on agricultural use pesticides would create a mechanism to ensure CDFA remains sufficiently resourced to provide consultant services to DPR. The inclusion of the statutory caps also aligns with the recommendations in the independent contractor's report. The LAO finds the specific new caps the Governor proposes for the two mill assessments—33.9 mills for all pesticides and the additional 1.04 mills specifically for agricultural use pesticides—to be reasonable. However, moderately lower or higher statutory caps also could be justifiable.

***Increasing Mill Assessment to Support Programmatic Expansions Would Help DPR Pursue State Goals.*** As noted, the Governor proposes increasing the mill assessment beyond what is needed to address the DPR Fund's existing operating imbalance and generating additional funding to expand DPR's activities. Overall, the LAO finds the proposed programmatic augmentations supported by the mill assessment increases to be reasonable given that they are targeted at (1) enhancing the enforcement of pesticide laws and regulations, (2) increasing the number of pesticide reevaluations the department can administer, and (3) encouraging the use and development of safer alternatives and practices. None of the proposed activities seem beyond the scope of the department's responsibilities or extraneous to meeting its core mission. Furthermore, the proposed augmentations largely align with the funding needs identified in the independent contractor's report.

***Supporting Certain Programmatic Expansions With Fee Increases Also Is Appropriate.*** The Governor's proposal would augment the department's registration and licensing activities by having DPR use its existing regulatory authority to increase the fees that directly support these programs. Overall, the LAO finds the proposed programmatic expansions to be reasonable given that they would be used to (1) improve the department's registration process, which has experienced an increase in average processing times in recent years and (2) provide the department with additional resources to certify and educate individuals and businesses applying for pesticide licenses. The LAO also finds that the proposed augmentations largely align with the funding needs identified in the independent contractor's report. Furthermore, supporting these activities with fee increases is an appropriate approach given that it tasks those who are regulated by these programs with paying the costs for the provided services.

***However, Legislative Priorities Should Also Be Incorporated.*** While the LAO finds the administration's proposed programmatic augmentations to be reasonable, they do not represent the only options for expanding DPR's activities. The Legislature has an important opportunity now to determine (1) the scope of activities it wants DPR to conduct, (2) the associated level of resources required, and

(3) the corresponding level at which the mill assessment should be set. This could involve removing or refining activities proposed by the Governor or adding activities that are legislative priorities. Ensuring that legislative priorities are reflected is particularly important given the opportunity that adjusting taxes and fees provides in setting the state's overall goals for pesticide regulation and ensuring they are well supported. Depending on the actions taken, modifying planned programmatic augmentations could result in higher or lower increases to the mill assessment and registration and licensing fees than proposed by the Governor. Potential categories of modifications the Legislature could consider include:

- ***Funding for SPM Roadmap Activities.*** The Governor's proposal would use funding to support activities outlined in the department's SPM Roadmap—such as identifying priority pesticides and expediting the registration of reduced-risk pesticides. While these activities could provide some benefits, the LAO notes that the SPM Roadmap is an administration-led initiative. The Legislature may wish to consider whether it agrees that these are worthwhile activities for DPR to undertake and whether any statutory guidance might be needed to further align the proposed actions with its own priorities.
- ***Funding for CACs.*** A central component of the proposal is to ensure that sufficient state resources are provided to uphold pesticide laws and regulations. While the Governor's proposal includes additional enforcement funding for DPR, it does not augment funding for CACs' enforcement activities. This diverges from the recommendation made in the independent contractor's report, which identified a $10.2 million funding need for CACs. The LAO also notes that the last time the state raised the mill assessment, the portion provided to CACs was also increased. While current allotments could be sufficient, this is an important opportunity for the Legislature to ensure that CACs are properly resourced to effectively complete their statutorily required enforcement activities.
- ***Recently Chaptered Legislation.*** The proposal does not provide resources to implement recently chaptered legislation—such as for AB 652 (Lee), Chapter 662, Statutes of 2023, which requires DPR to convene an environmental justice committee. This omission is consistent with the administration's overall approach in the Governor's budget, which mostly excludes augmentations related to implementing recently chaptered legislation. (The administration indicates it will consider including such resources as part of the May Revision depending on the overall budget condition.) However, given the important opportunity the Legislature has right now to set DPR's scope of work and corresponding funding needs, it is a key juncture for considering whether all of its desired activities are included—particularly those already enacted into law by the Legislature and Governor.

***If Community Air Pollution Workload Is a Core Department Activity, Funding It From the DPR Fund—Rather Than GGRF—Is Appropriate.*** One of the primary purposes of reconsidering the mill assessment is to provide sufficient resources for DPR's core programs so the department is better equipped to meet its mission and statutory authorities. Historically, the department's core functions and programs have been supported by the DPR Fund. The Governor's proposal continues this approach with one notable exception—the proposal to instead fund the ongoing activities related to AB 617 with GGRF. The ongoing nature of these augmentations suggests that the administration views this workload as a core department function. Moreover, DPR indicates that these activities—working with local communities on air pollution impacts caused by pesticides—are needed even in areas that do not currently participate in the AB 617 program. Accordingly, the LAO finds the DPR Fund to be a more appropriate ongoing fund source than GGRF to support these activities.

***Policy Changes Appear to Be Reasonable.*** Overall, the LAO finds that the Governor's proposed statutory changes align with the overall intent of the budget proposal and would support the department in further meeting its mission and statutory responsibilities. As noted above, these include changing the mill assessment payer responsibility, extending the statute of limitations for pesticide use and mill assessment payment violations, authorizing DPR to enforce state laws and regulations on out-of-state pesticide dealers, and exempting emergency pesticide use authorizations from CEQA. The LAO finds that these changes could (1) improve the collection of the mill assessment, (2) strengthen the enforcement of pesticide laws and regulations, and (3) facilitate the authorized use of pesticides in emergency situations.

***Incorporating Accountability Measures Could Help Legislature Assess Effectiveness of Proposed Changes.*** The amount of funding DPR would receive under this proposal would represent a significant augmentation for the department. The proposal (including the proposed GGRF spending) would increase the department's ongoing base spending levels by about 25 percent. While the LAO finds the proposed augmentations to be reasonable, the Legislature would benefit from conducting oversight of how the funding is being used and the degree to which it is helping DPR meet its core objectives. Monitoring the department's progress in meeting state objectives—such as improving the registration and reevaluation of pesticides—would inform the Legislature on DPR's successes and challenges in implementing the funding augmentations and, in turn, help inform whether future programmatic modifications might be needed.

**Staff Comments.** ***CEQA.*** Current law, Public Resources Code (PRC) Section 21080(b)(4), exempts from CEQA, "specific actions necessary to prevent or mitigate an emergency."

DPR states that the department has successfully used this existing CEQA exemption for approving emergency pesticide use; and have not had any lawsuits challenging that use to date. Because there is no evidence of real risk of litigation and because notice of exemptions do not require a lot of legwork, it is unclear what significant gains would result from the administration's proposed exemption for *"Approval by the Department of Pesticide Regulation of a pesticide emergency exemption pursuant to Section 136p of Title 7 of the United States Code."*

This proposal seems high-risk/low-reward by adding a statutory CEQA exemption tied to federal regulations that, while historically stable, are outside of the state's purview. The proposed exemption comes with a risk of opening up loopholes in addition to pinning the state to federal regulations that could change. Also, DPR has successfully used existing CEQA exemptions and has not provided any examples of litigation — It does not appear that DPR has had any issues with the existing emergency CEQA exemption. The plain meaning of the current exemption is broad and includes what the administration is proposing.

A question arises as to the necessity of adding another exemption to CEQA when current law seems to suffice.

***AB 2113 (Garcia)(2024).*** A policy bill, AB 2113, has been introduced in the Assembly this year with the same trailer bill language proposed by the administration. AB 2113 is currently in the Assembly Committee on Environmental Safety and Toxic Materials. Considering that the administration's trailer bill proposal has considerable policy implications, a question arises as to whether it may be more prudent for the proposal to be analyzed, discussed, and shaped through the policy committee process via AB 2113.

**LAO Recommendations.** According to the LAO:

***Approve Some Level of Flat Mill Assessment Increase With Statutory Caps…*** The LAO recommends the Legislature approve a flat increase to the mill assessment to address the structural deficit within the

DPR Fund and to support high-priority programmatic expansions. The mill assessment has not been adjusted in 20 years and an increase would ensure that the DPR Fund can accommodate current department expenditures and is able to support new state priorities for pesticides going forward. Furthermore, structuring the change as a flat increase—rather than tiered—is a reasonable approach given that it is easier to administer, offers a more predictable charge and revenue stream, and DPR has not yet identified a list of priority pesticides that could be used to form tiers for differential charges. The LAO also recommends the Legislature incorporate statutory caps for both the mill assessment applied to all pesticides and the additional mill assessment levied on agricultural use pesticides—either at the levels proposed by the Governor or something close. This would allow revenues within the DPR Fund to keep pace with expenditure levels set by the Legislature and provide confidence that the department can be tasked with future responsibilities without placing excessive cost pressures on the fund.

***…But Consider Modifications to Ensure DPR Has Sufficient Resources to Accomplish Legislative Priorities.*** Given the opportunity that revising the mill assessment provides in setting the state's overall goals related to pesticides, the LAO recommends the Legislature ensure that its spending priorities are reflected in the scope of work and associated level of funding that the final budget deal provides. This could include modifying or adding to the Governor's proposed programmatic augmentations. Depending on the actions taken, this may require the Legislature to implement higher or lower increases to the mill assessment and registration and licensing fees than proposed by the Governor.

***Support DPR's Community Air Pollution Workload With DPR Fund.*** The LAO recommends the Legislature reject the Governor's proposal to fund DPR's community air pollution workload with GGRF and instead support these activities with the DPR Fund. The ongoing nature of this augmentation suggests that this workload is a core department function, and the department indicates the needs for this community engagement exist beyond just AB 617 program participants. Accordingly, the LAO finds it reasonable to support these activities with the department's primary funding source. This would mean ensuring the mill assessment is set at a level to generate revenues that can cover the associated costs ($717,000 to support four positions and air monitoring activities), along with whatever other modifications the Legislature makes to the Governor's proposal. This would also align with the LAO's overall recommendation that the Legislature minimize out-year GGRF commitments in order to maintain legislative flexibility over the use of these funds in upcoming years, particularly given the forecasted deficits. (Please see LAO's recent report, *The 2024-25 Budget: Cap-and-Trade Expenditure Plan*, for more detail on the LAO's GGRF-related recommendations.)

***Approve Various Policy Changes.*** The LAO recommends the Legislature approve the Governor's proposed policy changes. These include changing the mill assessment payer responsibility, extending the statute of limitations for pesticide use and mill assessment payment violations, authorizing DPR to enforce state laws and regulations on out-of-state pesticide dealers, and exempting emergency pesticide use authorizations from CEQA. These changes align with the overall intent of the budget proposal and would support the department in further meeting its mission and statutory responsibilities. The LAO finds that these changes could (1) improve the collection of the mill assessment, (2) strengthen the enforcement of pesticide laws and regulations, and (3) facilitate the authorized use of pesticides in emergency situations.

***Consider Adding Accountability Measures.*** The LAO recommends the Legislature consider adding accountability measures as a way to conduct oversight of programmatic expansions and to ensure that funding is helping DPR meet its core objectives. Monitoring the degree to which the department is meeting these objectives—such as improving the registration and reevaluation of pesticides—also would inform the Legislature on the successes and challenges of implementing the augmentations and, in turn, guide potential future programmatic modifications. Specifically, the Legislature could require DPR to complete a report that discusses how the funding augmentations are being utilized and what outcomes are being achieved. The Legislature could require the report to include specific metrics that it believes are important to track, such as average processing times for pesticide registrations, the number of pesticide reevaluations being undertaken each year, and updates on the department's progress in identifying priority pesticides.

**Staff Recommendation. Hold open.**

# 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

**Issue 20: Resource Needs to Address Impacts on Project Permitting Resulting from Recent Supreme Court Decisions**

**Governor's Proposal.** The Governor's budget requests $6.1 million from the Waste Discharge Permit Fund (WDPF) in 2024-25 then $7 million annually thereafter, and 38 permanent positions phased in over two years, 26 positions in 2024-25 and an additional 12 positions beginning in 2025-26. This request includes $1.1 million in one-time contract funds for Information Technology (IT) services, $200,000 in one-time contract funds and $35,000 in ongoing contract funds for staff training.

The requested resources would be used to conduct essential water quality permitting and enforcement work that has historically been conducted by the US Army Corps of Engineers (Corps) and the US Environmental Protection Agency (US EPA) but will no longer be, due to a 2023 US Supreme Court Decision that reduces federal jurisdiction over a number of waterbodies. The recent reinterpretation through the *Sackett Ruling* of what qualifies as waters of the United States significantly narrows the scope of federal jurisdiction, and the SWRCB and regional water quality control boards (collectively, the Water Boards) will need to restructure their programs to replace lost federal services and provide state protection where federal protections no longer apply.

In many cases the state processes are less efficient and more resource intensive than the lost federal protections. This BCP would provide staff and contract resources that would help the Water Boards independently manage the workload that was historically shared with the Corps; and make the transition to being the sole regulator of discharges of pollutants to these waterbodies.

**Background. *The Sackett Ruling.*** In *Sackett v. EPA* (2023) 598 US 651 (*Sackett)*, the US Supreme Court held that the federal Clean Water Act's definition of "waters of the United States" extends to only those "wetlands with a continuous surface connection to bodies that are 'waters of the United States' in their own right," so that they are "indistinguishable" from those waters. Following the Court's decision, the CWA covers only adjoining wetlands, a reading that excludes wetlands separated from jurisdictional waters by man-made dikes or barriers, natural river berms, beach dunes, and the like that had previously been protected by eight different Presidential administrations.

*Sackett* does not affect the definition of "waters of the state" as used in California state law. According to SWRCB, California is well positioned to employ its state-level authorities to blunt some of the adverse effects from the loss of CWA protections within the state and continue to protect water quality within its borders. In California, the Porter-Cologne Water Quality Act (Porter-Cologne) is a powerful tool to ensure state protection where federal protection is no longer available.

However, many of the state's existing regulatory programs are structured and implemented based on how the scope of the CWA had been construed for the last 50 years. With the dramatic contraction of the CWA set forth in the *Sackett* ruling, the Water Boards administer various CWA programs in California, including the CWA section 401 water quality certification program, section 402 National Pollutant Discharge Elimination System (NPDES) permitting program, and section 303 water quality standards program. These federal programs are in addition to water quality protection requirements for "waters of the state" under Porter-Cologne, including the issuance of state permits or "waste discharge requirements" for all discharges of waste that can affect the quality of waters of the state. The Water Boards expect that going forward there will be a greater reliance on regulation of discharges using waste discharge requirements issued solely under state law and a heavier state workload and attendant need for increased staff resources and training.

*Sackett Ruling Impact on the Water Boards.* The Water Boards face challenges in keeping up with workload under the existing permitting framework. Given that a significant fraction of waters is now shifting from joint federal and state jurisdiction to state-only jurisdiction, the Water Boards' partners will no longer conduct any work to permit discharges of pollutants to those waters. The Water Boards need to assume this workload and must augment resources to do so, or the boards will become a bottleneck to approval of critical projects, including housing and infrastructure projects, which usually require these permits in order to build and make up approximately 50 percent of all dredge or fill applications received per year.

The *Sackett Ruling* impacts the Water Boards' resources in a number of fundamental ways by doing the following:

- Increases the number of waters that will rely solely on state authorities requiring additional resources to replace services currently provided by the Corps.

- Requires additional policy development work to establish state definitions and procedures to respond to anticipated changes in federal regulations that are logical outgrowths of the Sackett Ruling.

- Increases workload by requiring dredge or fill projects be permitted using the less efficient WDR processes instead of issuing 401 Certifications.

- Requires creation and ongoing maintenance of WDRs for activities that were previously permitted through existing Clean Water Act Section 401 Nationwide Permits or NPDES stormwater permits.

- Requires expansion of inspection and enforcement activities to replace US EPA actions on waters that are no longer under federal jurisdiction and further increases workload by replacing Clean Water Act enforcement authorities with less efficient and more resource intensive state authorities.

- Requires changes to IT infrastructure to accommodate the changing federal authorities and support SWRCB response activities.

Addressing these changes will require additional resources. Based on current workload and expected changes, the Water Boards anticipate a need for 38 additional positions, and contract dollars for both training and IT development.

**Staff Recommendation. Hold open.**

# 3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

**Issue 21: Board of Environmental Safety (BES): Baseline Level of Service Increase**

**Governor's Proposal.** The Governor's budget requests $331,000 in 2024-25 and ongoing, split between the Hazardous Waste Control Account (HWCA) and TSCA, to increase baseline funding and reclassify six BES staffing positions to permanent. These upgraded staff members are intended to better support board members across the various BES responsibilities identified in SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, which include:

- Consult with the Director to develop a multi-year schedule to improve DTSC performance in hazardous waste management, site mitigation, and enforcement;
- Adopt clear performance metrics for DTSC;
- Conduct an analysis of DTSC programs and the Cleanups in Vulnerable Communities Initiative;
- Hear and decide hazardous waste permit appeals;
- Provide opportunities for public hearings on individual sites;
- Approve (in 2025 and every three years) a statewide hazardous waste management plan;
- Advance environmental justice in historically disadvantaged communities;
- Conduct an analysis of the fee structure supporting DTSC; and
- Adopt a fee rate schedule by October 1 of each year.

To effectively carry out these mandates, BES has organized subcommittees of board members focused on discrete work relevant to each of these areas. This proposal is intended to allow BES to hire staff with the necessary, specialized expertise who can provide board members with detailed, independent advice and guidance in the form of staff reports, memoranda, briefings, analyses, and regulations (collectively, "Major Work Products") to support BES efforts to satisfy its statutory requirements under SB 158. This proposal would effectively double the productivity of BES staff, increasing Major Work Products from nine in the current year to 18 Major Work Products in 2024-25 and ongoing.

**Background.** Historically, DTSC has faced challenges in consistently meeting its mission and numerous statutory requirements. These challenges resulted in a backlog of expired hazardous waste facility permits, delayed cleanups in vulnerable communities, and inconsistent engagement with the communities it serves. In response to these issues, the Legislature and Governor enacted SB 158, which established BES within DTSC, restructured and increased charges that support HWCA, restructured and increased the tax that support TSCA, and provided funding to support brownfield cleanups and investigations across the state.

*Funding Sources for DTSC.* DTSC's funding comes primarily from HWCA and TSCA. TSCA is a repository for revenues from cost recovery, penalties, interest, and the Environmental Fee. HWCA revenues are derived from fees paid by various hazardous waste generators, transporters, and facilities. Prior to SB 158, they were last amended in statute in 1998 or earlier.

BES was established with five board members (one full-time and four part-time) and 12 additional staff positions, including an Executive Officer. Most BES board members were appointed near the end of FY 2021-22, and additional staff positions have been filled over subsequent months.

Once BES assumed its operations, board members recognized that some of the staff positions established in the initial organizational plan were not classified at suitable levels to provide effective support for board members sufficient to carry out the functions of BES contemplated by SB 158. To effectively assess the quality of program delivery within DTSC, board members need detailed, informative, independent analysis and substantive briefings from BES staff. To meet this demand for adequate support, BES completed upgrades of four staff positions in 2022-23:

- Administrative Assistant II to Associate Government Program Analyst (AGPA): This position assists with Board meeting planning, budgeting, contracts, and planning. Given these responsibilities, BES determined that an AGPA would provide better service to board members than an Administrative Assistant II.

- Senior Environmental Scientist to Environmental Program Manager I: The original organizational plan for BES staff had all 11 positions reporting to the Executive Officer. Originally there were no management positions within the technical or administrative ranks. Upgrading the Senior Environmental Scientist to an Environmental Program Manager comports with the significant responsibility for formulating and administrating responsibilities of fee setting and supporting hazardous waste permit appeals that are among BES responsibilities. This upgrade also improves management of BES staff functions in line with Cal HR requirements.

- Attorney III to Attorney IV: BES also determined that an Attorney III was inadequate in light of the high-profile nature of BES activities, which are often conducted at public meetings that are recorded, and upgraded that position to Attorney IV in order to provide BES with an attorney with specialized experience in the realm of Bagley-Keene and the California Public Records Act, in addition to an understanding of the myriad laws governing different DTSC programs and the ability to advise board members on sensitive matters internal to DTSC.

- Associate Governmental Program Analyst to Staff Services Manager I: This position was upgraded to provide a middle manager for an administrative services division within the BES organizational plan. The Staff Services Manager I would better suit the needs of public engagement and outreach to vulnerable communities.

The upgrades of BES staff positions described above have been funded through a redirection of existing resources, which results in fewer resources available to conduct other BES activities. In addition, due to the complex and highly technical nature of matters that are coming in front of the Board, BES plans to upgrade another two positions to ensure it has its own independent staff with the appropriate skill levels:

- Staff Services Analyst to Environmental Scientist: An environmental scientist will be able to provide timely and independent reports and briefings to the Board on highly technical matters, perform preliminary environmental analysis, review hazardous waste permit appeal documents, and provide support on DTSC fee analysis.
- AGPA to Senior Environmental Scientist: This senior position would better support the highly complex and technical matters that come in front of the Board such as hazardous waste permit appeals, analysis of DTSC's cleanup programs, and evaluating the public health benefits from cleanups under the Cleanups in Vulnerable Communities Initiative.

Altogether, funding for the upgrading of these six positions is intended to give board members greater support from subject matter experts and allow BES to provide higher service levels in response to public demands for greater accountability and improved oversight of DTSC.

**LAO Background.** According to the LAO:

***HWCA Funds Support the Regulation of Hazardous Waste.*** HWCA primarily supports activities the Department of Toxic Substances Control (DTSC) conducts related to regulating the generation, storage, transportation, and disposal of hazardous waste through permitting, compliance monitoring, and enforcement of noncompliance.

***HWCA Restructured as Part of a Larger DTSC Reform Package.*** Budget trailer legislation adopted as part of the 2021-22 budget package, Chapter 73 of 2021 (SB 158, Committee on Budget and Fiscal Review), restructured and increased the charges that support DTSC′s two major fund sources: HWCA and the Toxic Substances Control Account (TSCA). The resulting revenues were intended to (1) solve longstanding structural deficits in HWCA and TSCA, (2) support a new Board of Environmental Safety (BES) (discussed below), (3) support programmatic expansions that would better enable DTSC to protect people and the environment from toxic substances, and (4) build sufficient reserves in both accounts.

For HWCA specifically, SB 158 replaced several prior fees with a new generation and handling fee and also increased existing facility fees. (We discuss these fees in greater detail in the section below.) While the legislation was enacted as part of the 2021-22 budget package, the state did not begin to receive additional revenues until 2022-23 due to the timing of how charges for both accounts are collected.
Senate Bill 158 also established BES within the department. Besides hearing permit appeals for hazardous waste facilities and providing strategic guidance to the department, beginning in 2023-24 the five-member board is responsible for setting charge levels for HWCA and TSCA. Specifically, the board is responsible for setting charges annually to align revenues from both accounts with the amount of expenditures authorized by the Legislature through the annual budget act.
***HWCA Revenues Primarily Come From Two Major Regulatory Fees.*** Funding for HWCA primarily comes from the generation and handling fee (established in SB 158) and facility fees.
The generation and handling fee is charged on a per-ton basis to all entities that generate five or more tons of hazardous waste in a calendar year, while facility fees are annual charges levied on permitted facilities that treat, store, or dispose of hazardous waste. Senate Bill 158 set rates for both fees for 2022-23, but authorized BES to adjust rates each year starting in 2023-24.

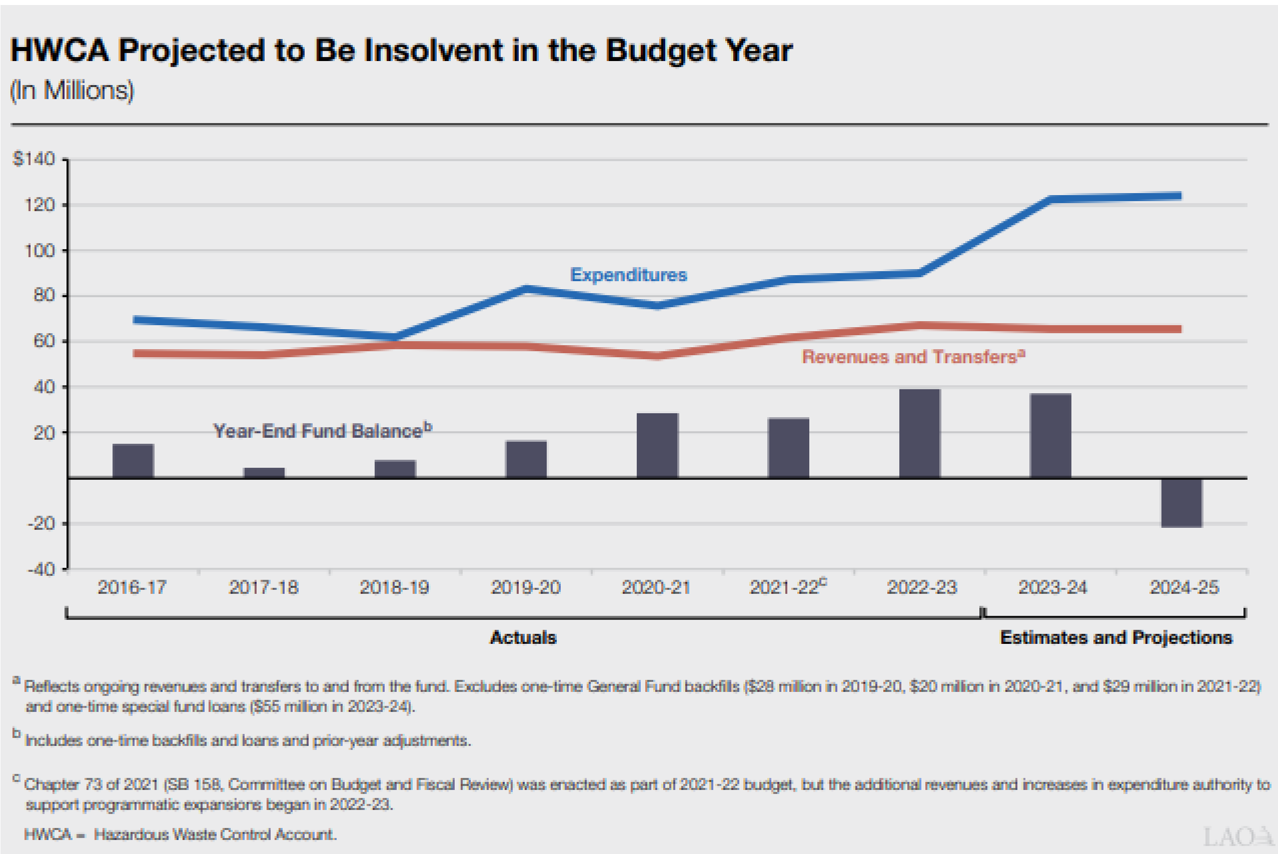
**Lower-Than-Projected Generation and Handling Fee Revenues Reestablished HWCA Deficit in 2022-23.** During the enactment of SB 158, the new generation and handling fee was set at $49.25 per ton and was projected to generate approximately $81 million in total revenues in 2022-23. However, in the middle of 2022-23, DTSC indicated that these revenues were coming in significantly below what had been anticipated and would only generate about $40 million that year. The lower-than-projected revenues reestablished the structural deficit within HWCA in 2022-23 and set the fund on a path to insolvency in 2023-24.

The department's preliminary analysis of the issue indicated the shortfalls were attributable to a combination of three primary factors: (1) a reduction in the amount of hazardous waste generated; (2) a higher utilization of government fee exemptions, such as related to a government entity removing or remediating hazardous waste caused by another entity; and (3) nonpayment or low payment of fee amounts owed.

***2023-24 Budget Package Authorized Special Fund Loans for HWCA.*** To address the revenue shortfall, the 2023-24 budget provided $55 million in special fund loans—$15 million from TSCA and $40 million from the Beverage Container Recycling Fund—to support HWCA. (Budget bill language currently requires DTSC to repay both loans by June 30, 2026.) The loans were intended to allow HWCA to cover its planned expenditures in both 2022-23 and 2023-24. The loans also avoided the need for BES to increase the generation and handling fee in 2023-24. This approach was adopted to provide DTSC with additional time to conduct a more in-depth analysis of the revenue shortfalls and to identify a potential solution. The department was authorized to use a small portion of the loans to support this analysis and to improve fee administration and data collection.

***HWCA Projected to Be Insolvent in the Budget Year.*** As shown in the figure below, HWCA has experienced a longstanding structural deficit between its ongoing revenues and expenditures.

The state has responded by providing a series of one-time General Fund backfills to keep the fund solvent, which is primarily how the fund balance has remained positive. The reform package was intended to address the structural deficit and generate additional ongoing revenues for HWCA to support both existing services and programmatic expansions. However, the lower-than-projected generation and handling fee revenues have prevented this from being accomplished.




*Source: LAO*

Under the administration's estimates, HWCA is projected to become insolvent in the budget year, absent any corrective action. We note that the department is in the process of gathering revenue data from generation and handling fees that are currently being collected, which could change this projection—potentially for the better or for the worse. Accordingly, uncertainty still exists around the exact magnitude of shortfall that the state will need to address both in the budget year and on an ongoing basis. For instance, higher-than-expected revenues and/or lower-than-expected spending levels in the current year could shrink the anticipated deficit and reduce the magnitude of solutions needed in the budget year.

*Administration Indicates Proposal Forthcoming at May Revision.* DTSC indicates that it still is in the process of completing its analysis of the causes of the HWCA revenue shortfall, along with collecting updated revenue information. The department has stated that it will use this analysis as the basis for a proposal to address the 2024-25 revenue gap that will be included as part of the May Revision.

**LAO Comments.** ***Reducing HWCA Expenditures Could Have Negative Implications for Health and Safety.*** Generally, the Legislature has two key categories of ongoing options for addressing structural fund imbalances: increase revenues (including by raising charges or through loans and transfers) or reduce expenditures. In the case of HWCA, the latter option could raise some concerns. In addition to addressing the structural deficits within HWCA and TSCA, a central component of the recent governance and fiscal reform package the Legislature enacted was to ensure that funding levels in both accounts were sufficient to support DTSC in better delivering on its mission and statutory authorities.

For activities supported by HWCA, this included improving hazardous waste generator inspections and enhancing criminal enforcement investigations. Given that the Legislature recently identified the department's current HWCA expenditure levels as being essential to protecting the public and environment from hazardous waste, this suggests that reducing them could result in a resumption of the safety concerns that initially led to the reform. This does not mean that opportunities for some savings do not exist. For example, the Legislature potentially could direct the department to implement program efficiencies that reduce cost pressures on HWCA and still allow for important services and protections. However, the Legislature likely will want to proceed with caution in considering any reductions to the activities supported by HWCA and ensure they do not result in increased hazards for Californians.

Moreover, identifying enough efficiencies to fully address the fund's structural deficit and maintain essential activities is highly unlikely.

***Legislature Has Several Options to Provide Support for HWCA.*** Given concerns about reducing DTSC's expenditures and activities, the Legislature might instead want to consider (1) increasing HWCA revenues and/or (2) identifying other fund sources to backfill HWCA. Two primary pathways exist for increasing revenues. First, the Legislature could defer to BES to use its statutory authority to raise the generation and handling fee and align revenues with the amount of 2024-25 expenditures authorized for HWCA. Second, the Legislature could begin to develop its own proposal to increase the amount of revenues collected from the generation and handling fee. For instance, one factor leading to the shortfalls is a higher utilization of government fee exemptions. The Legislature could reduce these exemptions and thereby apply the fee to more payers and generate additional revenues. In addition to raising revenues, the Legislature could identify other fund sources to backfill HWCA, similar to the approach it took in the 2023-24 budget. The LAO notes that utilizing this option may be more difficult given the overall budget problem with which the state is grappling. Furthermore, the Governor's budget already proposes using special fund loans—such as from the Beverage Container Recycling Fund—to support the General Fund, which limits the ability to utilize such sources to support HWCA.

**LAO Recommendation.** ***Use Spring Budget Process to Consider Options.*** The administration plans to propose a solution for HWCA as part of the Governor's May Revision. While a solution is needed, this schedule limits the time the Legislature has to (1) weigh the benefits and trade-offs of the administration's proposal and (2) develop a proposal that aligns with its own priorities. Given these constraints, we recommend the Legislature begin this spring to weigh the various options it has for addressing the HWCA revenue shortfall. Considering the merits and trade-offs associated with these options now would put the Legislature in a better position to evaluate the Governor's proposal and alternative solutions in May when the budget deadline and need for action are more pressing.

**Staff Recommendation. Hold open.**

# 3970 Department of Resources Recycling and Recovery (CalRecycle)

**Issue 22: Beverage Container Recycling Grants Program Staffing**

**Governor's Proposal.** The Governor's budget requests position authority only for six new permanent ongoing positions in 2024-25 to implement and manage the grant programs under SB 1013 (Atkins), Chapter 610, Statutes of 2022, and AB 179 (Ting), Chapter 249, Statutes of 2022.

SB 1013 allocates $19 million in new Beverage Container Recycling Funds, with $10 million as a one-time allocation and $9 million as ongoing allocations for three new grant programs. The 2023 Budget Act included five positions for SB 1013 grant implementation. As CalRecycle has begun to create the program criteria, it has become clear based on stakeholder feedback that the workload is greater than previously anticipated. In order to implement the new grant programs in a timely manner and ensure local assistance dollars are moved quickly to grantees, CalRecycle needs six additional permanent staff.

Based on the projected workload associated with these new programs, CalRecycle estimates that the Financial Resources Management (FiRM) branch will need a minimum of 18 additional staff to stand up, administer, and complete these new grant programs. To optimize the use of existing resources, CalRecycle conducted an analysis of positions that have remained vacant for more than six months and identified a dozen positions across the organization. CalRecycle is now in the process of moving and reclassifying these vacant positions to increase staffing within FiRM. However, the reorganization of these vacant positions only partially meets FiRM's staffing needs due to a significant and rapid expansion of workload generated by the new grant programs established by AB 179 and SB 1013. FiRM will still need six additional positions to meet the expanded workload that requires FiRM to: standup new programs, develop application and scoring criteria, manage solicitations and grant awards, provide technical assistance to applicants and grantees, and implement and oversee programs and grants through completion. FiRM intends on using previously approved administrative cost provisions in AB 179 and the 2023 Budget Act to fund these positions.

The staff in these grant programs will need to provide frequent and intensive outreach and technical assistance to ensure diverse and inclusive candidate pools for each solicitation, and this requires staffing ratios that allow personnel to spend more time on these activities than existing staff ratios allow. Because these grant programs are new, they will also require more work to develop criteria for applications on the front end, as well as ongoing technical assistance for stakeholders, applicants, and grantees throughout the entire lifecycle of each program. The scale and complexity of these challenges are new for CalRecycle.

**Background.** ***SB 1013 (Atkins).*** SB 1013 added wine and distilled spirits to the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the Bottle Bill) commencing January 1, 2024; and, commencing January 1, 2025, authorizes dealers in unserved convenience zones to join a dealer cooperative to meet their redemption responsibilities.

***AB 179 (Ting).*** Among other things, AB 179 provided $73.3 million for grants to support start-up costs of recycling programs, focusing on recycling centers, mobile recycling, reverse-vending machines, and bag drop programs. Existing recycling centers may also utilize these funds to establish mobile recycling for enhanced outreach. CalRecycle was appropriated an $73.3 million in the 2023 Budget Act and is scheduled to receive another appropriation for the same amount in the proposed 2024 Governor's Budget.

SB 1013 and AB 179 combined provide hundreds of millions of dollars in new funding. The scale of funding exceeds the ability of existing staff resources to absorb the new workload generated by these programs. The new programs require the development of criteria for solicitations and the management of multiple cycles of application review, scoring, and awards. Existing FiRM staff are already assigned a full workload.

**Staff Recommendation. Approve as budgeted.**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, March 21, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 2200**

Consultant: Eunice Roh

**Item** **Department** **Page**

**DISCUSSION ITEMS**

# DISCUSSION

## 8660 California Public Utilities Commission (CPUC)

**Issue 1: Community Solar**

**Background.** The U.S. Department of Energy defines community solar as any solar project or purchasing program, within a geographic area, in which the benefits of a solar project flow to multiple customers such as individuals, businesses, nonprofits, and other groups. These customers receive credit on their electricity bills for their share of the power produced. This model is designed to provide greater access to solar, particularly for renters, residents in multi-unit buildings, businesses that do not own their own roof, and other electricity customers who cannot install solar onsite for various reasons.

Currently, California has a handful of statewide community solar programs, including Green Tariff Shared Renewables Program; Disadvantaged Communities Green Tariff program; Community Solar Green Tariff program; and Solar on Multifamily Affordable Housing. Overall, these programs have struggled due to a variety of challenges, including lack of bill savings to customers, burdensome application and administrative processes, and limits on how many megawatts can be built, according to various stakeholders.

AB 2316 (Ward, Chapter 350, Statutes of 2022) required CPUC, on or before March 31, 2024, to evaluate these various community solar (or community renewable energy) programs, to determine if the program meets specified goals, to authorize the termination or modification of a program that does not meet those goals, and to determine whether it would be beneficial to ratepayers to establish a community renewable energy program. The 2023 Budget Act included $1,103,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account for the CPUC to implement AB 2316. In addition, the 2023 Budget Act included $33 million for community renewable energy programs, as part of the Clean Energy Reliability Investment Plan.

As CPUC conducted its evaluation of the various community solar programs through proceeding A.22-05-022, a range of stakeholders have supported the Net Value Billing Tariff (NVBT), as proposed by the Coalition for Community Solar Access. Under this proposal, subscribers to community solar projects (all of which must have matching storage capacity) would receive a credit applied to their electricity bills. This credit would have two primary components: (1) the energy value, which is determined by the market rate, and (2) the project's value to the grid at the time of generation—this project would not only provide electricity, but it also helps avoid transmission and distribution costs, decreases system demand, avoid greenhouse gas emissions (because it is a renewable energy project), as well as other avoided costs. NVBT proposes the project's value to be locked in for a 25 year term. This proposal would be targeted towards low- and moderate-income households, requiring 51 percent of each project to be reserved for low-income customers and at minimum 20 percent bill credit savings for low- and moderate-income households. NVBT requires projects to interconnect into the distribution system, but proposes no further limitations to projects on geography, or require any other siting restrictions; not cap project size to the extent feasible; and not limit how much capacity can be built.

On March 4, 2024, the CPUC released a proposed decision, as part of proceeding A.22-05-022. It found that NVBT "conflicts with federal law and does not meet the requirements of AB 2316". Instead, the proposed decision recommends "to modify and streamline existing Green Access Program tariffs" and "to adopt a community renewable energy program by layering a customer subscription model and a non-ratepayer-funded adder onto identified standard supply-side tariffs and contract mechanisms". More specifically, the proposed decision:

- Expands the Disadvantaged Community Green Tariff Program (DAC-GT) by 60 megawatts, bringing the total available capacity to approximately 144 megawatts.
- Expands the geographic boundaries (for DAC-GT) of a disadvantaged community to allow for more eligible projects that serve low-income customers.
- Ends the Community Solar Green Tariff Program (CSGT) and transfers the remaining capacity into the DAC-GT program.
- Authorizes an additional, new community renewable energy program for PG&E, SCE, and SDG&E residential and commercial customers, regardless of income.
    - Payment for the energy generated by solar projects will be collected from all customers within the utility's territory.
    - 51 percent of each project's capacity will be dedicated to low-income subscribers and low-income customers at highest risk of disconnection will be prioritized for auto-enrollment.
    - Sets the amount of compensation for solar exports to the grid at costs avoided by each project, and the subsidies to low-income customers will be funded by state/federal funds.
- Modifies the Green Tariff Shared Renewables Program by enabling future procurement to be aligned with the state's broader integrated resource planning process, allowing battery storage to be paired with solar projects, and creating a pathway for potential expansion beyond the program capacity cap.

Several stakeholders have taken issue with the CPUC's proposed decision on community solar, particularly on the proposed decision's positions on the NVBT proposal. Specifically, CPUC found that NVBT is not a viable proposal because (1) it conflicts with federal law and (2) it does not meet the requirements of AB 2316.

On the first point, the proposed decision finds that NVBT conflicts with federal law, specifically the Public Utility Regulatory Policies Act (PURPA). This law specifies federal jurisdiction over certain energy projects, specifically of wholesale power generation facilities. These are large power generators that sell electricity on wholesale markets to utilities, electric service providers, and community choice aggregation entities. The Federal Energy Regulatory Commission (FERC) has authority over these wholesale facilities, and the compensation that these facilities can receive. Under PURPA, wholesale facilities' compensation rate is solely based on energy value and capacity to the grid. In comparison, distributed energy resources (DER) are smaller scale energy resources that are located near sites of use, such as rooftop solar. CPUC has authority over these resources, as well as the compensation rates of these resources.

The proposed decision finds that community solar projects, as proposed by NVBT, are more akin to wholesale facilities than DER "in terms of: (1) the lack of a true-up period to identify net surplus generation; (2) the practice of banking credits for surplus energy in lieu of providing net surplus energy compensation; and (3) the absence of geographic proximity between generation and subscriber load." Therefore, the proposed decision finds that CPUC does not have jurisdiction over how community solar projects can be compensated and that these projects' compensation rates are determined by PURPA.

Various stakeholders disagree with this assessment, and claim that community solar projects more resemble distributed energy resource projects, because it is a retail-level program. In addition, stakeholders have pointed out that there has not been legal challenges regarding FERC authority over community solar projects in other states, such as New York, Maine, and Massachusetts.

On the second point, the proposed decision finds that NVBT does not meet the requirements of AB 2316 because it would likely increase costs for nonparticipating customers. NVBT proponents assert that community solar projects are a distributed energy resource, and therefore, will avoid costs, such as utility scale generation and capacity, electric transmission and distribution system capacity, and greenhouse gas emissions. Under the CPUC's measures for DER cost-effectiveness, the NVBT scores better than any other community renewables program administered by the CPUC, scoring a Total Resource Cost (TRC) value of between 1.2 and 1.45 (anything over 1.0 implies a program will result in the addition of resources that are cost-effective for the system) and a ratepayer impact measure (RIM) of between 0.81 and 0.92, compared to RIM scores of 0.35 to 0.58 for the net billing tariff (NBT) rooftop solar program under NEM 3.0 that the CPUC approved in December 2022. The DAC-GT program, which the CPUC's proposed decision expands, also has lower RIM scores than the NVBT proposal, in the 0.44 to 0.61 range.

However, the proposed decision finds that this assessment is not fitting, because community solar projects are more akin to wholesale facilities, and as such, do not avoid transmission, distribution, and capacity costs. The proposed decision finds that these added costs could result in additional costs for non-participants. Specifically, the proposed decision cited investor-owned utilities' cost analyses of NVBT. For example, PG&E found that 1 gigawatt of community solar installed under NVBT could result in a cost shift of $8.1 billion from subscribed customers to all customers over 25 years.

**Staff Comment.** Currently, the proposed decision is subject to a 30-day public comment period before it can be acted upon by the CPUC. During this period, stakeholders have the opportunity to file and reply to comments before the CPUC votes on this issue. As such, this is the opportune time for the Legislature to engage on the proposed decision, and whether it aligns with the intent of AB 2316.

**Staff Recommendation.** Hold Open.

## VARIOUS DEPARTMENTS

### Issue 2: Cap-and-Trade Spending Plan

**Governor's Proposal.** The Governor proposes a roughly $2.3 billion discretionary cap-and-trade expenditure plan. The plan would dedicate most of this funding for fund shifts to backfill General Fund reductions, including $557 million proposed for early action in the current year. The proposal also includes an intention to commit a significant amount of out-year Greenhouse Gas Reduction Fund (GGRF) revenues to backfill future spending for activities related to zero-emission vehicles (ZEVs) that previous budget agreements had initially planned to provide from the General Fund.

**Background.** According to the LAO:

***Cap-and-Trade Auction Revenue.*** Revenues from quarterly cap-and-trade auctions are deposited into GGRF and the funds generally are allocated to climate-related programs. Over the past three years, individual quarterly auctions have generated an average of $1.1 billion in revenue, with annual amounts averaging $4.2 billion. Under current law, about 65 percent of auction revenue is continuously appropriated to certain projects and programs, including for the state's high-speed rail project, affordable housing, transit, and safe drinking water. In addition, $200 million is continuously appropriated each year for forest health and wildfire prevention activities. The remaining revenue is available for appropriation by the Legislature through the annual budget for other ongoing funding commitments (such as state administrative costs and statutory transfers) as well as discretionary spending priorities.

***Proposes $2.3 Billion in Discretionary Spending.*** The Governor assumes the state will have about $5.1 billion in GGRF monies available to spend in 2024-25. This total includes (1) unallocated revenues from higher-than-anticipated proceeds the state received in the August 2023 auction, (2) short-term investment proceeds earned on prior-year funds before they were spent, and (3) anticipated revenues from 2024-25 auctions and investment earnings. Of this amount, as shown in Figure 1, the proposal commits $2.5 billion for continuous appropriations; $2.3 billion for discretionary spending; and $284 million for other existing commitments, including baseline operations.

## Governor's Proposed 2024-25 Cap-and-Trade Spending Plan

*(In Millions)*

| | Department | Funding |
|---|---|---|
| **Continuous Appropriations** | | **$2,518** |
| High-speed rail project | HSRA | $912 |
| Affordable Housing and Sustainable Communities | SGC | 729 |
| TIRCP | CalSTA | 365 |
| Healthy and resilient forests | CalFire | 200 |
| Low Carbon Transit Operations Program | CARB | 182 |
| Safe and Affordable Drinking Water Program | SWRCB | 130 |

| | | |
|---|---|---|
| **Other Existing Commitments** | | **$284** |
| Baseline Operations | Various | $100 |
| Manufacturing tax credit | N/A | 97 |
| State Responsibility Area fee backfill | CalFire | 87 |
| **Discretionary Appropriations** | | **$2,279** |
| **Early Action Fund Shifts (2023-24)** | | **$557** |
| ZEV fueling infrastructure grants (ZEV package) | CEC | $219 |
| Drayage trucks and infrastructure (ZEV package) | CEC | 157 |
| Fire prevention grants | CalFire | 81 |
| Clean trucks, buses, off-road equipment (ZEV package) | CEC | 71 |
| Transit buses and infrastructure (ZEV package) | CEC | 29 |
| **Budget-Year Fund Shifts (2024-25)** | | **$1,242** |
| TIRCP and other transportation programs | CalSTA | $791 |
| Energy package activities | CEC | 144 |
| Extreme heat package activities | CNRA/SGC | 94 |
| Wildfire package activities | Various | 81 |
| Oil well plug and abandonment | DOC | 50 |
| Coastal resilience package activities | CNRA | 37 |
| Livestock methane reduction program | CDFA | 24 |
| Water and drought package activities | CDFA | 21 |
| **Other Discretionary Spending** | | **$480** |
| AB 617 | CARB | $250 |
| Zero-Emission Transit Capital Program | CalSTA | 230 |
| **Total** | | **$5,081** |

HSRA = High Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; CalFire = California Department of Forestry and Fire Prevention; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; N/A = not available; ZEV = zero-emission vehicle; CEC = California Energy Commission; CNRA = California Natural Resources Agency; DOC = Department of Conservation; CDFA = California Department of Food and Agriculture; and AB 617 = Assembly Bill 617 Community Air Protection Program.

***Includes $557 Million Proposed for Early Action, Primarily for ZEV Activities.*** The budget proposes spending $557 million of available GGRF revenues in 2023-24, primarily for activities included in the multiyear ZEV package that was part of recent budget agreements. The Governor proposes that the Legislature take early action and use these funds to achieve current-year General Fund savings through the following fund shifts:

- ***ZEV Activities ($476 Million).*** The Governor proposes shifting current-year funding from the General Fund to GGRF for four programs adopted as part of the ZEV package in recent budgets, all administered by the California Energy Commission (CEC): ZEV fueling infrastructure grants ($219 million); drayage trucks and infrastructure ($157 million); clean trucks, buses, and off-road equipment ($71 million); and transit buses and infrastructure ($29 million). The administration has directed CEC to pause its spending of authorized General Fund for these programs to avoid eroding these potential current-year savings.
- ***California Department of Forestry and Fire Protection Fire Prevention Grants ($81 Million).*** The budget also would reduce General Fund and instead provide GGRF for the fire prevention grants program, which both aims to reduce the risk of wildfires to homes and communities and reduce carbon emissions from forest fires.

***Uses Discretionary Funds Primarily to Swap Out Planned General Fund Spending.*** As shown in Figure 1, similar to the proposed current-year fund swaps, the Governor uses most of the remaining discretionary spending ($1.2 billion) to backfill General Fund reductions in 2024-25 for various programs, including those related to transportation as well as activities included in a number of climate budget packages. (We discuss these specific proposals and programs in our companion publications, *The 2024-25 Budget: Crafting Climate, Resources, and Environmental Budget Solutions* and *The 2024-25 Budget: Transportation Budget Solutions*.) The two main exceptions to this approach are $250 million for the AB 617 Community Air Protection program and $230 million for the Zero-Emission Transit Capital Program administered by the California State Transportation Agency. The former is a program initiated through Chapter 136 of 2017 (AB 617, C. Garcia) to monitor and reduce air pollution in vulnerable communities. This program has received regular support from GGRF over the past several years. The latter is a new program initiated in the 2023-24 budget intended to provide four years of formula funding to transit agencies which they can use to support zero-emission buses and related infrastructure and/or to cover their operating expenses.

***Delays $600 Million in Planned GGRF Funding.*** The Governor proposes to delay $600 million in planned GGRF spending for the ZEV package from 2024-25 to 2027-28. This delay frees up this funding in 2024-25, making an additional $600 million available for achieving budget solutions through other General Fund reductions and backfills. This $600 million is part of the $2.3 billion in resources used for discretionary spending.

***Commits $3.5 Billion in Out-Year GGRF.*** Reflecting actions agreed to as part of the 2023-24 budget package, the Governor's proposal commits out-year discretionary GGRF for various programs. Specifically, as shown in Figure 2 and consistent with the 2023-24 budget agreement with the Legislature, the Governor's proposal includes intent to commit funding annually for the ZEV package and the Zero-Emission Transit Capital Program from 2025-26 through 2026-27. The figure also shows the new $600 million the Governor is proposing to provide for ZEV programs in 2027-28 (reflecting the proposed delay from the budget year) as well as a new proposed intention to provide annual appropriations of $250 million for the AB 617 program through 2029-30.

## Governor's Proposed Out-Year GGRF Commitments

*(In Millions)*

| Program | Department | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | Totals |
|---|---|---|---|---|---|---|---|
| AB 617 | CARB | $250 | $250 | $250 | $250 | $250 | $1,250 |
| ZEV package | CARB | 215 | 301 | 213 | — | — | 729 |
| | CEC | 385 | 299 | 387 | — | — | 1,071 |
| Zero-Emission Transit Capital | CalSTA | 230 | 230 | — | — | — | 460 |
| **Totals** | | **$1,080** | **$1,080** | **$850** | **$250** | **$250** | **$3,510** |

GGRF = Greenhouse Gas Reduction Fund; AB 617 = Assembly Bill 617 Community Air Protection Program; CARB = California Air Resources Board; ZEV = zero-emission vehicle; CEC = California Energy Commission; and CalSTA = California State Transportation Agency.

**LAO Assessment.**

***Use of GGRF to Achieve General Fund Savings Has Merit, but Legislature Could Choose an Alternative Mix.*** Given the General Fund deficit, the Governor's proposal to use most discretionary GGRF to achieve General Fund savings and sustain some program activities makes sense. However, the Legislature could adopt this same strategy in a somewhat different way to align with its priorities. Specifically, it could achieve the same amount of savings as the Governor through directing GGRF funds to backfill a different mix of General Fund reductions. For example, the Governor proposes using a total of $1.8 billion from GGRF to backfill essentially *all* the proposed General Fund reductions to the ZEV package across the next three years, but only $37 million in 2024-25 to sustain a mere 8 percent of the proposed reductions to certain coastal resilience activities that had been included in previous budget agreements. Based on its highest priorities, the Legislature could choose a different allocation. The Legislature has flexibility around how it is able to direct GGRF revenues because the program was authorized in a way that is akin to a tax, meaning the funds can legally be used for broad purposes. Moreover, if the General Fund condition continues to deteriorate and the Legislature has to consider making ongoing reductions to base programs, it may want to prioritize GGRF monies differently. Specifically, the Legislature may need to consider using these funds to preserve more urgent and ongoing needs rather than backfilling spending for one-time discretionary activities.

***Extensive Reliance on Out-Year GGRF Makes Assumptions About Future State Priorities and Revenues.*** While the state dedicates a share of annual GGRF revenues to recurring ongoing activities (such as the high-speed rail project, sustainable housing and transit programs, and activities to improve drinking water quality and availability), it generally has maintained about 35 percent for discretionary spending decisions agreed upon by the Legislature and Governor as part of each year's budget negotiations. The 2023-24 budget package broke with historical practice somewhat by including plans to dedicate a notable share of out-year discretionary GGRF revenues for specific purposes rather than deferring that decision to future legislative and administration negotiations, including $600 million annually for three years beginning in 2024-25 to backfill General Fund reductions within the ZEV package. As noted above, the Governor's proposal includes $3.5 billion in out-year GGRF discretionary spending commitments. While this approach allows the state to maintain long-term intended ZEV spending plans and save General Fund, it does raise two key concerns:

- ***Limits Legislative Flexibility to Respond to Potential Changes in Out-Year Priorities.*** Given the projected budget deficits in the coming years, the Legislature could face some very difficult choices around its expenditures—including a potential need to reduce General Fund support for core ongoing programs. In such a case, the Legislature could find that it has higher priorities for GGRF revenues than sustaining planned one-time program expansions. While nothing precludes it from revisiting these spending intentions in a future year, leaving them in its multiyear spending plan for now could set unrealistic expectations and make redirecting the funds in the coming years more challenging. In contrast, holding off on making spending commitments until it has more information about the budget situation it faces in each given fiscal year would preserve more flexibility for the Legislature to target available discretionary GGRF funds to its pressing and emerging priorities.

- ***Uncertainty Around Future Revenues.*** As we discuss below, considerable uncertainty exists around how much GGRF revenue will be available in future years. A precipitous drop in these revenues could jeopardize not only planned out-year ZEV and Zero-Emission Transit Capital Program spending but also other longstanding state priorities for which the state has historically relied upon this funding source—raising further questions about the wisdom of committing these additional funds so many years in advance.

***Legislature Could Revisit Existing Statutory Commitments if Its Priorities Have Changed.*** Besides revisiting whether it wants to maintain out-year, limited-term discretionary commitments for ZEV activities and other programs, the Legislature also could reconsider the degree to which both current continuous appropriations (which receive about 65 percent of total GGRF revenues) and ongoing discretionary spending commitments continue to be consistent with its current priorities. Most of the continuous appropriations were established as part of the 2014-15 budget, and legislative priorities may have changed over the last decade. Particularly in the context of the General Fund deficit and proposed spending reductions to other programs, the Legislature can consider all GGRF expenditures “on the table” and within its purview for reevaluation and potential modification.

***Administration’s New Revenue Estimate Methodology Less Conservative, Likely More Accurate.*** As part of developing its annual budget proposal, each year the Department of Finance (DOF) estimates how much revenue it believes will be generated for GGRF at cap-and-trade auctions in the coming fiscal year. This estimate forms the basis for the Governor’s annual GGRF spending plan. DOF recently changed the methodology it uses to calculate this projection. Prior to spring 2023, the administration based its estimates on an assumption that all cap-and-trade allowances would sell at the auction floor price. This methodology resulted in DOF regularly underestimating revenues quite notably, as allowances have sold well above the floor price for the last several years. (In contrast, our office historically has developed cap-and-trade revenue estimates based on an assumption of stable allowance prices. In recent years, this approach has led our projections of annual discretionary GGRF revenues to exceed the Governor’s by several hundreds of millions of dollars—and also has resulted in our estimates more closely aligning with actual auction results, as compared to the administration’s projections.) DOF’s new approach uses an average of actual allowance prices from auctions that occurred in the previous calendar year. For 2024-25, this new approach has resulted in the administration basing its spending plan on higher estimates compared to its previous practice. We believe DOF’s new approach is likely to yield more accurate revenue predictions.

***We Estimate More GGRF Could Be Available for Discretionary Spending, but Projections Carry Considerable Uncertainty.*** Even with DOF's new approach, we believe the administration still could be underestimating the amount of GGRF revenue that cap-and-trade auctions will generate in 2024-25. Our conclusion is based on recent auction trends, in which allowance prices have been trending upward (as of this writing). Should these trends continue, the state could have additional GGRF to spend in both the current and budget years compared to the Governor's proposal—perhaps including several hundreds of millions of dollars more for discretionary spending. However, considerable uncertainty exists around these estimates. The Legislature will be able to incorporate additional information from the February and May 2024 auctions before it needs to make its final budget decisions for 2024-25.

***Increasing Degree of Uncertainty Around Revenues.*** A couple of factors may contribute to more volatility than usual for cap-and-trade revenues over the next several years. The Legislature may want to keep these uncertainties in mind as it makes its GGRF budgeting decisions for 2024-25 and in the coming years.

- ***California Air Resources Board (CARB) Considering Cap-and-Trade Program Changes.*** CARB is in the process of considering amendments to the cap-and-trade program that would influence allowance prices. These include potential changes to the emissions cap, the number of allowances the state makes available, and the allocation of those allowances. Scenarios that CARB has presented suggest allowance auction prices will increase, which likely would mean more revenues for GGRF. However, the way in which CARB makes changes to its allocation of allowances (such as modifying the mix of allowances given away for free to certain industries like utilities versus the number sold at the state-run auctions) ultimately will determine the impacts on prices and state revenues.

- ***2030 Expiration.*** Before the Legislature last extended the statutory authorization for the cap-and-trade program in 2018, revenues from GGRF began to decline due to investor uncertainty about the status of the program. Should considerable uncertainty about the fate of the program exist as its next statutory end-date approaches (2030), a similar change in revenue trends could reemerge. Such volatility related to reauthorization questions is not likely to be a significant risk this year, but could develop over the next several years closer to 2030.

**LAO Recommendations.**

***Adopt GGRF Spending Plan That Focuses on Legislative Priorities and Maximizes General Fund Solutions.*** We recommend the Legislature adopt the Governor's overall strategy of using GGRF to help backfill General Fund reductions for certain programs. This approach allows the state to achieve necessary budget savings while continuing important activities. However, we recommend the Legislature adopt a GGRF spending package that ultimately preserves funding for its highest-priority activities, which may represent a different mix from that proposed by the Governor. For example, instead of prioritizing GGRF to sustain nearly all of the original intended funding for ZEV activities, the Legislature could redirect some of those funds to protect some additional funding for other program areas proposed for deeper reductions, especially given the significant amount of federal funds available for ZEVs. Depending on how quickly and severely the General Fund condition worsens, the Legislature also could consider using GGRF to backfill General Fund reductions to core ongoing programs rather than to sustain discretionary one-time climate and environment spending. In addition, the Legislature could consider revisiting GGRF continuous appropriations and ongoing spending commitments, most of which were established in 2014-15. The Legislature's highest priorities may now be different.

***Minimize Out-Year GGRF Commitments.*** The state faces considerable uncertainty about future GGRF revenues due to the factors mentioned above. In addition, committing out-year GGRF funds, while useful to provide some assurance regarding future programs, limits legislative flexibility over the use of these funds in upcoming years should other priorities emerge. This is especially important in this fiscal environment, where the budget situation is expected to be difficult for the next few years. As such, we recommend that—for now—the Legislature consider both reducing planned out-year GGRF funding that has not yet been appropriated, and reducing rather than delaying GGRF expenditures and revisiting them in a future year when it has a better sense of its available fiscal resources and highest spending priorities. This would help avoid creating spending expectations that the state may not be able to fulfill.

***Monitor Auctions and Adopt Spending Levels That Reflect Evolving Revenue Trends.*** Given the growing uncertainty around cap-and-trade revenues, we recommend the Legislature continue to closely monitor quarterly auctions to assess how revenues are materializing and set its annual GGRF spending levels accordingly. For 2024-25, this will mean incorporating the results of the February and May 2024 auctions. (The results from February were not yet available at the time of this writing.) If allowance prices continue to trend upward at that point, the Legislature could have some additional comfort in potentially adopting a plan that spends at a slightly higher level than the Governor's proposal. For future years, the Legislature may want to adopt a more conservative approach with its GGRF spending assumptions, given the growing uncertainty around allowance prices and potential for revenue volatility. As discussed above, avoiding making significant out-year GGRF commitments is another tool that can help preserve legislative flexibility to respond to unknown and evolving future revenue trends.

**Staff Recommendation.** Hold Open.

## 3900 STATE AIR RESOURCES BOARD

### Issue 3: Prescribed Burning and Exceptional Events

**Governor's Proposal.** The Governor's Budget includes $4,393,000 ongoing from the Cost of Implementation Account, Air Pollution Control Fund ($3 million from the Local Assistance portion and the remaining from the State Operations portion) to continue the Prescribed Burn Reporting and Monitoring Grant Program; prescribed burn air quality monitoring support; Smoke Spotter Application; modeling support and technical assistance to assess smoke impacts; as well as positions to support the Exceptional Event Process.

**Background.** Prescribed burning is the controlled application of fire to the land to reduce wildfire hazards, clear downed trees, control plant diseases, improve rangeland and wildlife habitats, and restore natural ecosystems. To improve forest resilience and reduce the devastation of wildfires, the state has encouraged and supported the expansion the use of prescribed burning. However, prescribed burning requires air quality monitoring, smoke forecasting, and other data collection and analysis to manage the impact of smoke from prescribed fires.

The California Air Resources Board's smoke management program provides some of this expertise through regional daily burn forecasts; collects data on agricultural and prescribed burning and associated smoke emissions; and oversees and maintains the State's Prescribed Fire Information Reporting System (PFIRS).

In addition, the smoke management program provides support to local air districts to expand their prescribed burning efforts by providing grants to streamline and subsidize the permit process; funding air quality monitoring; providing a public app that informs the public of nearby prescribed burn and wildfire activity; providing smoke forecasting data and other modeling support; and supporting air districts on the Exceptional Event process, which will allow prescribed burns that affect attainment status to be excluded from consideration in the attainment designation process.

Currently, CARB provides $2 million annually for local assistance funding. However, this funding is limited-term, and the last year of funding is 2023-24. The department requests to expand that amount to $3 million; $410,000 for prescribed burn air quality monitoring and maintenance of these air quality monitors; $150,000 for the regular maintenance and updates to the Smoke Spotter Application; $150,000 for daily smoke forecasts and ongoing update/maintenance of the modeling system; and $614,000 for three positions to support smaller air districts on the Exceptional Event process.

**Staff Comments.** In California, 15 air districts are now expected to be out of attainment with the recently updated federal standards for the particulate matter 2.5 (PM 2.5). Several of these air districts are in rural areas, where prescribed burning plays a critical role in maintaining forest health and improving wildfire resilience. In order for these areas to continue prescribed burning, the state will need to provide sufficient support and technical assistance—in particular to support the Exceptional Event process—so that prescribed burning is not detrimental in these air districts' plans to comply with the federal PM2.5 standards. This will likely be an ongoing need, given that many of these rural air districts lack the staffing and resources to do these activities on their own.

**Staff Recommendation.** Hold Open.

## Issue 4: Resources to Implement More Stringent PM2.5 National Ambient Air Quality Standard

**Governor's Proposal.** The Governor's Budget includes $3,842,000 ongoing from the Air Pollution Control Fund to meet the federal Clean Air Act requirements, as a result of a more stringent particulate matter (PM) 2.5 national ambient air quality standard.

**Background.** The US EPA sets standards for the allowable concentration levels of PM2.5 in ambient air. CARB is the state agency responsible for implementing programs to meet these standards. The current PM2.5 standard is set at the level of 12 ug/m3 PM2.5. CARB works with California air districts designated as not attaining these standards to develop State Implementation Plans (SIPs) containing measures and regulations designed to reduce PM2.5 concentrations. Currently, three out of 35 air districts in California are out of attainment for the 12 ug/m3 standard and are required to develop SIPs.

On February 7, 2024, the US EPA announced a final rule to strengthen the air quality standards for PM2.5—US EPA is setting the level at 9 ug/m3. According to CARB, the following areas record levels over the 9.0 ug/m3 annual PM2.5 standard based on preliminary data. This list could change slightly with final PM2.5 data and an evaluation of the impact of wildfire exceptional events. The first 3 districts on the list are the current nonattainment areas.

- South Coast Air Quality Management District*
- San Joaquin Valley*
- Northern Sierra Portola (Plumas)*
- Owens Lake (Mono County)

- Feather River Air Quality Management District
- Northern Sierra Quincy (Plumas)
- Sacramento County
- Siskiyou County
- Imperial County
- San Francisco Bay Area
- Coachella Valley
- San Diego County
- Mendocino County
- Mojave Desert San Bernardino
- Shasta County

SIPs are developed jointly with the local air district and CARB. However, CARB is responsible for meeting SIP planning requirements, including developing a comprehensive emission inventory, air quality modeling, and SIPs, in addition to providing emission reductions for mobile sources. On average, this process takes between 3-4 years per region and a significant level of staff and technical resources.

The new SIPs will be due 18 months after the US EPA determines regional non-attainment designations for the new standards—which will be about mid-2026. This is a very rapid timeline, as SIPs typically take 3 to 4 years to develop. If a nonattainment area fails to submit the required SIP, US EPA will issue a failure to submit notice, and sanction clocks will begin. The first sanction will begin in 18 months, where new or modified stationary sources in the nonattainment area will need to offset their emissions at a ratio of 2 to 1. In 24 months, highway sanctions will begin in which federal funds for transportation projects will be prohibited except for safety, transit, and beneficial air quality projects.

In order to meet the deadline to develop SIPs for the newly out of attainment regions, CARB requests $2.85 million for 12 full-time permanent positions in 2024-25 and ongoing, and $1 million for one-time air measurement equipment purchases in 2024-25, and an additional $1 million in 2025-26 and ongoing for air quality modeling computing resources ($500,000) and research ($500,000).

**Staff Recommendation.** Hold Open.

## Issue 5: Southern California Headquarters Building Operations & Maintenance Contracts

**Governor's Proposal.** The Governor's Budget includes $6,290,000 in 2024-25, $9,126,000 in 2025-26, and $9,586,000 in 2026-27 and ongoing to operate and maintain CARB's Southern Headquarters Building.

**Background.** In 2021, CARB completed building their Southern California Headquarters building in Riverside. This new facility gave CARB the ability to consolidate six previously existing Southern California locations, into a single location that houses more than 400 employees. The building includes an extended range of dedicated test cells for testing light-duty and heavy-duty vehicles, an advanced chemistry laboratory, a workspace for accommodating new test methods for future generations of vehicles, space for developing enhanced onboard diagnostics and portable emissions measurement systems, visitor reception and education areas, a media center, flexible conference areas, and a large public auditorium.

Under standard state operations, the Department of General Services (DGS) would assume responsibility for building management upon completing newly constructed state-owned buildings. However, in November 2019, DGS confirmed that they do not have the staff necessary to maintain such a technical facility.

As such, CARB requests contract funding of $6.1 million in 2024-25, $9.0 million in 2025-26, and $9.4 million in 2026-27 and ongoing for building management, maintenance, custodial, security, and landscaping services for the facility. The building management contractor will manage critical facility systems (such as the photovoltaic system) and ensure equipment warranties remain in effect to ensure the facility achieves the Zero Net Energy (ZNE) rating.

In addition, CARB requests 1.0 permanent full-time Staff Services Analyst/Associate Governmental Program Analyst (SSA/AGPA) position that will be located at the Southern HQ locations to assist the Southern Facilities Unit (SFU) with Building Management and Maintenance Contract oversight and the Facilities Services Section (FSS) team with daily duties.

**Staff Recommendation.** Hold Open.

***Senate Budget and Fiscal Review—Scott Wiener, Chair***
**SUBCOMMITTEE NO. 2** **Agenda**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, April 11, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 2200**

Consultant: Joanne Roy

# DISCUSSION

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 0540 California Natural Resources Agency (CNRA)
## 3480 Department of Conservation (DOC)
## 3540 Department of Forestry and Fire Protection (CalFire)
## 3600 California Department of Fish and Wildlife (CDFW)
## 3640 Wildlife Conservation Board (WCB)
## 3760 State Coastal Conservancy (SCC)
## 3855 Sierra Nevada Conservancy (SNC)
## 3825 San Gabriel Lower Los Angeles River and Mountains Conservancy (RMC)
## 3875 Sacramento-San Joaquin Delta Conservancy

### Issue 1: CNRA Bond and Technical Proposals

**Governor's Proposal.** The Governor's budget requests appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized programs.

**Staff Recommendation. Approve as budgeted.**

## 0540 California Natural Resources Agency (CNRA)

### Issue 2: CNRA Campus Relocation and Consolidation, Phase 2

**Governor's Proposal.** The Governor's budget requests $1.1 million from various special funds one-time in 2024-25 to conduct critical activities associated with its move to the Gregory Bateson Building (1600 9th Street), currently under major renovation. This is the second phase of CNRA's Sacramento campus consolidation.

CNRA has already absorbed certain move-related costs of approximately $550,000, including additional funding provided to DGS for reasonable accommodation upgrades to the bathrooms (above and beyond the minimums required in the design-build contract) and funding for DWR to purchase and install audio-visual equipment in the building.

**Staff Recommendation. Approve as budgeted.**

### Issue 3: Tahoe Climate Adaptation Environmental Monitoring

**Governor's Proposal.** The Governor's budget requests $300,000 in 2024-25 and ongoing from the Lake Tahoe Science and Lake Improvement Account to support water quality monitoring activities at Lake Tahoe. CNRA will direct the funds to the bi-state Tahoe Science Advisory Council to align monitoring investments with both science and management priorities.

The Council was established to provide coordinated, collaborative advice to guide science investment at Tahoe. The requested monies will be directed to the Council to address deferred monitoring activities and other research to gather information necessary to design adaptive climate projects for the future. The requested resources will also leverage private, federal, and other state funds to tackle the significant monitoring and reporting program needs.

**Staff Recommendation. Approve as budgeted.**

**Issue 4: Tribal Nature-Based Solutions: Temporary Help Position Conversion**

**Governor's Proposal.** The Governor's budget requests one permanent Associate Governmental Program Analyst to be funded from savings within the baseline budget for the Tribal Nature-Based Solutions Grant Program. This position has been carried under the temporary help blanket but is now needed on a permanent basis to meet the ongoing needs of the program. Additional funding is not needed as the position's costs can be absorbed within the baseline tribal affairs budget.

This proposal is intended to provide permanent position authority to reduce turnover and encourage retention among staff that perform the tribal affairs functions of CNRA's work, including the management of the Tribal Nature-Based Solutions grant program.

**Background.** CNRA Tribal Affairs Unit is relatively new and is tasked with supporting the Deputy Secretary for Tribal Affairs to cultivate and secure the participation and inclusion of tribal governments and communities within the work of CNRA, supporting the integration of these governments' priorities into environmental policymaking. The Tribal Affairs Unit is administering the $100 million Tribal Nature-Based Solutions grant program and taking the lead in implementing the administration's ancestral land return policies.

**Staff Recommendation. Approve as budgeted.**

## 3110 SPECIAL RESOURCES PROGRAM: TAHOE REGIONAL PLANNING AGENCY (TRPA)

**Issue 5: Shifting State Operations to Local Assistance**

**Governor's Proposal.** The Governor's budget requests a net zero shift in funding from state operations to local assistance to better align these appropriations to actual expenditures. This request includes $375,000 Harbors and Watercraft Revolving Fund (HWRF) and $200,000 Environmental License Plate Fund (ELPF).

This request would shift all remaining state operations funding under TRPA and the Sea Grant Program to local assistance to better align these appropriations to actual expenditures. This request includes $375,000 HWRF and $200,000 ELPF.

**Background.** The Special Resources Program holds pass-through appropriations to various entities, including TPRA, Yosemite Foundation, and the Sea Grant Program. In practice, all five appropriations are local assistance funding agreements and are reported under accounts related to grants and subventions in accounting records. However, two specific appropriations from HWRF and ELPF are scheduled as state operations, which results in a mismatch between the character of the funds and accounts used in financial reporting.

**Staff Recommendation. Approve as budgeted.**

## 3125 TAHOE CONSERVANCY

### Issue 6: Access Tahoe

**Governor's Proposal.** The Governor's budget requests an ongoing local assistance appropriation of $100,000 and a reduction in support funding of $228,000 from the Lake Tahoe Conservancy Account. The local assistance funding will be used to expand access to Lake Tahoe's beaches, surrounding wilderness, recreational destinations, and open space. The Access Tahoe Initiative supports projects that reduce barriers to access Lake Tahoe's outdoor spaces. This proposal does not request any permanent or temporary positions, or additional funding to implement the initiative. Existing Conservancy staff will administer these grants.

**Staff Recommendation. Approve as budgeted.**

### Issue 7: Conceptual Feasibility Planning

**Governor's Proposal.** The Governor's budget requests $300,000 Safe Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) for conceptual feasibility planning for future watershed, habitat, and recreation improvements. Total costs are estimated at $300,000. The current schedule estimates study activities will be carried out between July 1, 2024, and June 30, 2025.

The conservancy intends to use the funding to hire outside contractors and for existing conservancy staff to carry out the planning work. Conceptual feasibility planning will focus on conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements. It is expected that this planning will lead to future funding proposals for preliminary planning, working drawings, and construction phases for individual projects.

**Staff Recommendation. Approve as budgeted.**

### Issue 8: Minor Capital Outlay

**Governor's Proposal.** The Governor's budget requests $890,000 from Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002 (Proposition 50) for various minor capital outlay projects. These projects involve stabilizing and improving previously acquired property, ensuring public safety, and completing upgrades on developed facilities.

The conservancy intends to complete small projects involving minor improvements needed to stabilize previously acquired parcels and for management for open space, water quality protection, and public access and safety. The current project schedule estimates construction activities will begin July 1, 2024, and is intended to be completed in June 2025.

**Staff Recommendation. Approve as budgeted.**

## Issue 9: Trout and Cold Creek Watershed Restoration Project

**Governor's Proposal.** The Governor's budget requests $500,000 Federal Trust Fund to study restoration opportunities and complete environmental review for the Trout and Cold Creeks Watershed Restoration Project.

As part of the project study phase, the conservancy intends to study restoration opportunities and complete environmental review to restore degraded sections of Trout and Cold Creeks and adjacent floodplain. The project is intended to reduce sediment and nutrients that flow from the watershed into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; enhance the outdoor experience for all; and promote climate resilience.

As part of the eventual project construction phase, the conservancy intends to restore the creek channels, enhance the floodplain, and remove conifers to improve habitat and reduce community wildfire risk. The conservancy estimates total project costs at $3.7 million. The Tahoe Regional Planning Agency awarded a Lake Tahoe Restoration Act grant to the conservancy, using federal funding from the USDA Forest Service. This grant supports costs for the project's study phase. Staff will apply for, and anticipate receiving, future grants to support the future project phases.

**Staff Recommendation. Approve as budgeted.**

## Issue 10: Upper Truckee River Sunset Stables Reach 6 Restoration Project

**Governor's Proposal.** The Governor's budget requests $250,000 Federal Trust Fund authority and intends to use $200,000 from existing General Fund appropriated in the 2022 Budget to develop working drawings for the multiple-benefit Upper Truckee River Sunset Stables Reach 6 Restoration Project. The conservancy seeks to restore Reach 6 of the Upper Truckee River and surrounding areas to address current impairments and achieve agency, state, and federal resource objectives.

The project is part of a multi-agency collaboration to restore the entire Upper Truckee River watershed, including Trout Creek and Cold Creek. The USDA Forest Service awarded a $1.9 million grant to the conservancy to plan and implement the project. As part of the working drawings phase, the conservancy will develop engineered drawings to restore a degraded section of the Upper Truckee River and adjacent floodplain. The project is intended to reduce sediment and nutrients that flow from the Upper Truckee River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual construction phase, the conservancy intends to improve 4,500 feet of river channel, enhance 70 acres of floodplain, and remove conifers on 30 acres to improve habitat and reduce fire risk. The conservancy estimates total project costs at $2.9 million.

**Staff Comment.** The conservancy notes that while it continues to believe the use of the 2022 General Fund to be appropriate for this project, the conservancy has reevaluated its project schedule resulting in the conclusion that this funding is not needed at this point in the schedule and is proposing to pull it from the budget. The conservancy will submit a proposal in the future.

**Staff Recommendation. Approve as budgeted.**

### Issue 11: Upper Truckee Marsh Restoration Project

**Governor's Proposal.** The Governor's budget requests $300,000 in federal reimbursement authority and will use $400,000 in existing General Fund Wildfire (active appropriation 2022-23) for the study phase of the second part of the Upper Truckee Marsh Restoration Project. The second part of the project continues restoration work the conservancy recently completed in the Upper Truckee Marsh and will enhance ecological values, biodiversity, carbon sequestration, climate resilience, aquatic and terrestrial habitats, and improve water quality entering Lake Tahoe. It will also provide wildfire protection for surrounding communities. As part of this study phase, the conservancy will examine remaining restoration and recreation needs to complete comprehensive restoration of a degraded section of the Upper Truckee River and adjacent floodplain. Additionally, this study phase will revise and update, as necessary, environmental review for this part of the project.

**Staff Comment.** The conservancy notes that wildfire funding is appropriate for this project because it is including a significant amount of conifer tree removal in the project scope, which will reduce wildfire risk and is consistent with the use of wildfire funding. However, the conservancy has revised available grant opportunities and intend to use solely federal grants to fund this next phase of the project and will submit a future proposal to capture these modifications.

**Staff Recommendation. Approve as budgeted.**

### Issue 12: Van Sickle Bi-State Park Safety and Equitable Access Improvements

**Governor's Proposal.** The Governor's budget requests $100,000 in Proposition 50 funds for the Van Sickle Bi-State Park Safety and Equitable Access Improvements Project. The project is a coordinated effort with the State of Nevada to protect the ecological integrity of the park, ensure public safety and accessibility, improve the visitor experience and water quality, and allow for year-round operations. The project will establish a paved trail connecting the day-use areas, create a new state line monument and plaza, pave the California day-use area parking lot, and pave the entrance trail to accommodate Americans with Disabilities Act accessibility, storm water run-off, and snow removal.

**Staff Recommendation. Approve as budgeted.**

## 3340 CALIFORNIA CONSERVATION CORPS

### Issue 13: Residential Center, Camarillo: Fitness, Fire Readiness, and Health & Safety

**Governor's Proposal.** The Governor's budget requests to $650,000 in available funding from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68) for a minor project to build a quarter-mile oval fitness track at the Camarillo Residential Center to meet programmatic needs including providing emergency response, resource conservation, and fuels reduction work. Additionally, the scope of work will include related infrastructure and site work as needed. The project will start July 2024 and completion is estimated by December 2025.

**Staff Recommendation. Approve as budgeted.**

## Issue 14: Nonresidential Center, Wilderness and Watersheds Restoration District: Acquire Existing Nonresidential Facility

**Governor's Proposal.** The Governor's budget requests to reappropriate $2.5 million in available Proposition 68 funds in 2024-25 to acquire the existing Wilderness and Watersheds Restoration District Nonresidential Facility, which is leased from the Fred Lundblade Trust, located in Eureka, Humboldt County.

**Background.** The CCC would like to remain in the Eureka area due to its proximity to project work and the cultivation and expansion of an ongoing sponsor base of many years. This location, while relatively new, has been providing sponsor work since the 1970s. The Wilderness and Watersheds Restoration District (WWRD) is comprised of CCC's Backcountry Trails Program (BCTP) and the Watershed Stewards Program (WSP).

For 46 years, BCTP has been dedicated to preserving the remaining wilderness areas, making them safer and more accessible to the public. BCTP has worked over 2.5 million hours building, repairing, and maintaining over 13,500 miles of wilderness trails.

WSP is engaged in comprehensive, community-based watershed restoration and education throughout the state. The primary focus of WSP is to assist communities and organizations with habitat restoration for salmonids to rehabilitate these threatened and endangered species to healthy and historic populations.

BCTP and WSP operate much differently than the typical CCC residential and non-residential centers and both require extensive storage and meeting space. The Department of General Services has calculated WWRD's current space needs to be over 9,000 sq ft. Acquisition of real property in Eureka is intended to provide long-term permanent space for WWRD to efficiently operate and create additional opportunities for the CCC to serve and work collaboratively with California's communities.

**Staff Recommendation. Approve as budgeted.**

## Issue 15: Energy Corps Resources

**Governor's Proposal.** The Governor's budget requests position authority for one Electrician I, one Conservationist II, and one Management Services Technician for fiscal year 2024-25 and ongoing, and One Electrician I for three years (ends June 30, 2027) to address critical staffing needs. This proposal will be funded from within existing resources, resulting in a net zero fiscal impact.

The Energy Program helps develop young adults' knowledge and build their skill set in the electrical and renewable energy field. Standard projects included non-residential lighting retrofits and energy assessments. The program intends to assist with further greenhouse gas reduction in the state by installing electric vehicles (EV) charging stations. The program is currently training Corpsmembers, but has encountered challenges pertaining to the installation — a C-10 licensed electrician must be on site to oversee the work performed. The problem is that the CCC does not have this position and therefore is unable to contract for this type of 7work that CCC is training Corpsmembers to do. Adding these positions is intended to enhance the Energy Program and better prepare Corpsmembers for employment opportunities as they gain hands-on experience in more green energy projects.

**Staff Recommendation. Approve as budgeted.**

## 3480 DEPARTMENT OF CONSERVATION (DOC)

### Issue 16: California Geologic Energy Management (CalGEM) Division: Mission Transformation and Oversight

**Governor's Proposal.** The Governor's budget requests 24 permanent positions and an appropriation increase of $5.99 million in 2024-25 and $5.68 million ongoing from the Oil, Gas and Geothermal Administrative Fund to strengthen enforcement of existing laws and regulations, limit the state's financial liability, improve public transparency, and implement chaptered legislation.

As shown in the improvements of CalGEM's oversight of oil and gas operations in recent years resulting from greater staffing levels, enhanced oversight is necessary to provide more rigorous and consistent implementation of new regulations. Regulatory advances aim to reduce risks associated with underground injection projects and other oilfield activities can only be fulfilled adequately with additional personnel. To address the existing deficits from the imbalance of increasing workload and current staff capacity, fulfill regulatory requirements, and establish more effective and efficient oversight of oil and gas operations across the state, CalGEM operations is requesting 24 positions. 11 positions to expand its field presence and requisite field inspections and five positions to conduct full-time reviews of underground injection control (UIC) projects; four positions to implement federal and state regulations to improve safety at underground gas storage (UGS) facilities; three positions for related District Administrative Support staff; and an additional $500,000 to fund temporary help for scanning to fulfill electronic records mandate as required by July 1, 2026; and one position as a Tribal Liaison to consult with Tribal entities to ensure protection of tribal lands.

**Background.** CalGEM supervises oil and gas operations, administers laws for the conservation of petroleum and geothermal resources and ensures the safe development and recovery of the energy resources. CalGEM regulates onshore and offshore field operations by evaluating permit applications to drill, rework, and plug and abandon wells, and by providing permit conditions to prevent damage to state resources and protect oil field workers and surrounding communities. CalGEM also advises local governments when new development is planned over, near, or adjacent to historic oil field operations. CalGEM's mission in State statute is to protect public health and safety, and environmental quality, including the reduction and mitigation of greenhouse gas emissions associated with the development of hydrocarbon and geothermal resources in a manner that meets the energy needs.

Several events have occurred in the past few years that have promulgated new and gas operations and protection of public health and the environment: independent audit and in 2011 identified shortcomings of the UIC Program that prompted CalGEM to develop a Renewal Plan. Updated in 2017, the Renewal Plan developed a strategy to revise existing regulations, adopt new regulations, modernize data management, and ensure a high-quality workforce. Among this improvement, CalGEM updated its UIC regulations, which came into effect in April 2019.

Since 2015, CalGEM has been actively working to review and approve Aquifer Exemptions per the federal and state regulations to fulfill a commitment to the US Environmental Protection Agency (US

EPA). As of September 2021, the US EPA is now requiring additional analysis be complete prior to Aquifer Exemption approvals affecting most of the remaining applications under review and has requested California make more expedited progress on its efforts to bring the UIC program into full compliance with the Safe Drinking Water Act. These activities include reviewing outstanding aquifer exemptions; conducting project- by- project reviews of existing projects to ensure compliance with current regulations; and to perform on-going periodic reviews of projects approved after existing regulations were updated.

In response to the catastrophic gas leak at Aliso Canyon in 2016, CalGEM entered a partnership with the federal government in 2018 to assist in implementing federal requirements for UGS safety. In 2022, CalGEM joined The Methane Task Force, a joint effort led by CalGEM and the California Air Resources Board (CARB), to identify and respond to methane leaks from oil infrastructure near communities. Currently, this partnership is aimed at addressing methane leaks from oil and gas infrastructures in the community.

These events have required CalGEM to take on additional responsibilities, for which it does not currently have sufficient resources to support. Further, CalGEM conducted extensive workload analyses and found that current staffing levels could not fulfill requirements regarding inspections and witnessing critical wells and other oil field operations.

**Staff Recommendation. Approve as budgeted.**

## Issue 17: Division of Administration Distributed Funding Reconciliation

**Governor's Proposal.** The Governor's budget requests an increase in administration costs of approximately $6.2 million, and an equivalent decrease in distributed administrative costs of approximately $6.2 million for 2024-25 and ongoing to fully fund positions and workload transferred to administrative functions within the DOC.

This proposal is a net zero budget change that reflects true administrative costs. DOC sets an administrative overhead charge to the four programmatic divisions and their applicable fund source on an annual basis and this proposal will not change that, nor will it impact those fund sources budget.

**Background.** DOC has seen an increase in administrative responsibilities, positions, and costs since 2008-09. These responsibilities and positions have been allocated to administrative roles within the DOC to assist with workload from the expansion of DOC position authority and responsibilities within its four programmatic divisions. There has not been an equivalent long-term adjustment of distributed administrative costs within the department, which has required DOC to submit budget revisions annually to correct the funding imbalance for administrative costs.

**Staff Recommendation. Approve as budgeted.**

## Issue 18: Improving California's Response to the Environmental and Physical Safety Hazards Caused by Abandoned Mines

**Governor's Proposal.** The Governor's budget requests two permanent positions and an appropriation increase of $466,000 in 2024-25, $742,000 in 2025-26, $742,000 in 2026-27, $542,000 in 2027-28, and $342,000 ongoing from the Abandoned Mine Reclamation and Minerals Fund (AMRMF) to accelerate abandoned mine inventory and remediation, and to support the California Environmental Protection Agency's (CalEPA) cleanup of the Newton Mine site, which is a state priority source of contamination to state waters.

**Background.** In January 2006, the Legislature authorized the Abandoned Mine Lands Unit (AMLU), within the Division of Mine Reclamation (DMR), to begin spending Gold and Silver Mining Fee revenue to remediate hazards at historical and abandoned mines. SB 649 (Kuehl), Chapter 794, Statutes of 2003, established a fee of $5.00 per ounce of gold and $0.10 per ounce of silver produced in the state and directed the State Mining and Geology Board to collect and deposit these fees into the AMRMF.

PRC Section 2207 defines historic abandoned mines as mines for which operations have been conducted before January 1, 1976, and include, but are not limited to, historic gold and silver mines. Monies in this fund may be spent for the remediation of historical and abandoned mines. The AMLU is working on several federal contracts remediating mine hazards identified as part of inventory work completed between 2009 and 2013, funded under the American Recovery and Reinvestment Act (ARRA). With existing staff utilizing these one-time federal funds, fewer expenditures have been necessary from the AMRMF on remediations. More recently, the AMLU has continually ramped up efforts due to the passage of the Federal Infrastructure Investment and Jobs Act (IIJA), which provides states and tribes federal funding to further inventory and remediate abandoned mine land (AML) sites.

Under cost-sharing partnerships with federal, state, and local landowning agencies, the program has inventoried 5,421 AML sites, including 78,463 mine features, and managed 507 projects resulting in the remediation of over 1,600 physical safety hazards. The definition of inventory used by the AMLU is the assessment of mine safety hazards (like vertical shafts and collapsing adits), cultural resources, and wildlife use that collectively define various options for remediation if needed.

**Staff Recommendation. Approve as budgeted.**

## 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

### Issue 19: Assistance By Hire (ABH) Reimbursement Adjustments

**Governor's Proposal.** The Governor's budget requests an increase of $124.7 million in reimbursement authority for 2024-25 and ongoing to account for non-state entity reimbursements from government agencies that contract with CalFire to help suppress wildland fires within their responsibility area, for which these reimbursement receipts, known as Assistance by Hire (ABH), offset department General Fund expenditures. The request includes budget bill language starting in 2024-25 to account for the year-over-year changes in the reimbursements received to address the increase of ABH reimbursements that are annually anticipated.

Due to the unpredictable wildfire events and fire sieges in recent years, the ABH reimbursements vary from year to year. The requested adjustment amount is based on a three-year average of ABH receipts from 2020-21 through 2022-23 (i.e., $8.2 million in 2020-21, $338.8 million in 2021-22, and $44.4 million in 2022- 23), equaling $130.5 million. CalFire's baseline ABH Emergency Fund Reimbursement authority is $5.7 million, so the projected ABH reimbursements of $130.5 million would be offset by the $5.7 million, resulting in a needed increase of $124.7 million in reimbursement authority.

This request is intended to allow CalFire to reflect the receipt of reimbursements from non-state entities for ABH services without having to go through Control Section 28.00 to do so. This is intended to allow CalFire to make the necessary technical budget adjustments timely for closing year-end financial statements related to fire suppression services, ensuring these reimbursement receipts are reflected accurately.

**Background.** Due to the unpredictability of wildfire events and based on fire sieges in recent years throughout the state, CalFire seeks to increase the department's reimbursement authority for Assistance by Hire (ABH) incidents. The state recovers eligible funds associated with ABH reimbursements from federal agencies (United States Forest Service (USFS), Bureau of Land Management (BLM), National Park Service (NPS), Bureau of Indian Affairs (BIA), and United States Fish and Wildlife Service) per terms of the California Master Cooperative Wildland Fire Management and Stafford Act Response agreement (CFMA).

CalFire has multiple agreements with federal agencies to provide emergency fire protection services to those entities and is essentially a vendor to that governmental entity for their emergency wildland fire response. The funds are treated as reimbursements because the funds are not a federal grant or entitlement and because of CalFire's vendor status. Due to the wildfire events in recent years, CalFire has received additional ABH reimbursement amounts beyond the budgeted amount over the years. The additional amounts have been treated as annual Control Section 28.00 requests. The underlying assumption of Control Section 28.00, however, is that the reimbursements are unanticipated; these ABH reimbursements are anticipated annually, their amounts varying annually depending on the fire activity.

The current process of submitting annual Control Section 28.00 requests results in delays in CalFire's ability to make the technical budget adjustments necessary to its prior year accounting records to reflect the receipt of additional reimbursements. Without these technical budget adjustments, these reimbursable expenditures would be considered General Fund expenditures.

**Staff Recommendation. Approve as budgeted.**

## 3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

**Issue 20: R.H. Meyer Memorial State Beach (SB): Parking Lot Expansion, Facility, and Site Modifications**

**Governor's Proposal.** The Governor's budget requests a supplemental appropriation in the amount of $152,000 from available California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection (Proposition 40) bond funds (Public Resources Code (PRC) Section 5096.610(a)) for the working drawing phase of the continuing R.H. Meyer Memorial SB: Parking Expansion, Facility and Site Modifications project in Los Angeles County.

This continuing project includes increasing available parking to help reduce pedestrian and vehicle accidents, installing permanent vault toilets, repairing the beach trail, and reducing beach trail erosion through parking lot grading and the use of more durable yet permeable surfaces. Total project costs are estimated at $5.457 million and is intended to be completed in August 2025.

**Staff Recommendation. Approve as budgeted.**

# 3825 San Gabriel Lower Los Angeles River and Mountains Conservancy (RMC)

## Issue 21: Wildfire Resilience Coordinator

**Governor's Proposal.** The Governor's budget request to establish a permanent position to support RMC's Wildfire Resilience Program. The requested position is intended to balance workload among staff and increase efficiency, particularly in implementing the Conservancy's Wildfire Prevention and Resiliency Program and the Regional Forest and Fire Capacity (RFFC) Program. Duties prescribed for the position include but are not limited to:

- Broad and inclusive outreach and involvement in decision-making.
- Develop partnerships extensively across RMC's territory to identify priorities and develop projects.
- Enhance the region's capacity to identify, develop, and implement wildfire and forest resilience projects consistent with the California Wildfire and Forest Resilience Action Plan, Agreement for Shared Stewardship of California's Forests and Rangelands, the California Forest Carbon Plan, and Executive Order B-52-18.

This position is intended to alleviate the need to redirect current RMC staff and management to provide oversight of the program and its budget. The position is intended to be supported through various existing funding sources, including the interagency agreement with DOC for the RFCC Program, as well as administrative allowances associated with recent wildfire prevention and resiliency investments. This includes providing grants to support partner capacity, project readiness, implementation of demonstration projects, and regional priority planning to achieve landscape-level and community wildfire resilience consistent with the California Wildfire and Forest Resilience Action Plan. This position is intended to also provide support to underserved and disadvantaged communities so they can participate in and benefit from RMC's Wildfire Prevention and Resiliency Program.

**Background.** Existing law establishes the RMC for the purpose of, among others, providing for the public's enjoyment and enhancement of recreational and education experiences on public lands in the San Gabriel Watershed and Lower Los Angeles River.

The San Gabriel Mountains National Monument, located primarily in the Angeles National Forest, is nearly 346,000 acres and falls within RMC. The Forest, including the monument, provides 70 percent of the open space to more than 15 million people living within 90 minutes of the area, and provides a third of Los Angeles County's drinking water. In addition to the San Gabriel Mountains National Monument, several smaller and forested ranges fall within RMC's territory, including the Puente Hills (approximately 100 acres) located in the San Gabriel Valley, which was once home to the largest landfill in the country; West Coyote Hills including a tract of 510 acres that is the largest remaining tract of undeveloped land in north Orange County; and, San Jose Hills spanning approximately eight miles bordering the San Gabriel Valley and the Pomona Valley, which houses California State Polytechnic University Pomona and Frank G. Bonnelli Regional Park. Moreover, RMC works with several local and nonprofit organizations to support urban forests.

Recent Budget Acts have provided RMC with appropriations for wildfire prevention and resiliency projects within its jurisdiction, including $12 million in the 2020 Budget Act and $15 million in the 2021 Budget Act, and $10 million in the 2023 Budget Act. In addition to wildfire prevention and resiliency projects, the funding is focused on supporting the goals of California's Wildfire and Forest Resilience

Action Plan: A Comprehensive Strategy.

**Staff Comments.** According to the administration, the requested position will be supported by eligible and allowable Budget Act funds and RFFC programming funds. RMC expects to see additional funding to support the position as well as activities related to the increase of pace and scale of restoration to address impacts from wildfire events. For example, RMC is developing a grant application to the National Fish and Wildlife Foundation for $10 million, which could potentially fund the position at 100 percent for at least five years. Conservancy staff will proactively coordinate and monitor its budget with the Department of General Services's budget and accounting liaisons well in advance of the RFFC end date to ensure continuation of this position is supported by other available and eligible funding sources, including potential additional revenue from the RFFC program. Given the fiscal circumstances, the administration believes this is an appropriate approach to meeting a programmatic need while eliminating the need for ongoing new sources.

**Staff Recommendation. Approve as budgeted.**

# DISCUSSION

## 3970 Department of Resources Recycling and Recovery (CalRecycle)

**Issue 22: Beverage Container Recycling Grants Program Staffing**

**Governor's Proposal.** The Governor's budget requests position authority only for six new permanent ongoing positions in 2024-25 to implement and manage the grant programs under SB 1013 (Atkins), Chapter 610, Statutes of 2022, and AB 179 (Ting), Chapter 249, Statutes of 2022.

SB 1013 allocates $19 million in new Beverage Container Recycling Funds, with $10 million as a one-time allocation and $9 million as ongoing allocations for three new grant programs. The 2023 Budget Act included five positions for SB 1013 grant implementation. As CalRecycle has begun to create the program criteria, it has become clear based on stakeholder feedback that the workload is greater than previously anticipated. In order to implement the new grant programs in a timely manner and ensure local assistance dollars are moved quickly to grantees, CalRecycle needs six additional permanent staff.

Based on the projected workload associated with these new programs, CalRecycle estimates that the Financial Resources Management (FiRM) branch will need a minimum of 18 additional staff to stand up, administer, and complete these new grant programs. To optimize the use of existing resources, CalRecycle conducted an analysis of positions that have remained vacant for more than six months and identified a dozen positions across the organization. CalRecycle is now in the process of moving and reclassifying these vacant positions to increase staffing within FiRM. However, the reorganization of these vacant positions only partially meets FiRM's staffing needs due to a significant and rapid expansion of workload generated by the new grant programs established by AB 179 and SB 1013. FiRM will still need six additional positions to meet the expanded workload that requires FiRM to: standup new programs, develop application and scoring criteria, manage solicitations and grant awards, provide technical assistance to applicants and grantees, and implement and oversee programs and grants through completion. FiRM intends on using previously approved administrative cost provisions in AB 179 and the 2023 Budget Act to fund these positions.

The staff in these grant programs will need to provide frequent and intensive outreach and technical assistance to ensure diverse and inclusive candidate pools for each solicitation, and this requires staffing ratios that allow personnel to spend more time on these activities than existing staff ratios allow. Because these grant programs are new, they will also require more work to develop criteria for applications on the front end, as well as ongoing technical assistance for stakeholders, applicants, and grantees throughout the entire lifecycle of each program. The scale and complexity of these challenges are new for CalRecycle.

**Background.** ***SB 1013 (Atkins).*** SB 1013 added wine and distilled spirits to the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the Bottle Bill) commencing January 1, 2024; and, commencing January 1, 2025, authorizes dealers in unserved convenience zones to join a dealer cooperative to meet their redemption responsibilities.

***AB 179 (Ting).*** Among other things, AB 179 provided $73.3 million for grants to support start-up costs of recycling programs, focusing on recycling centers, mobile recycling, reverse-vending machines, and bag drop programs. Existing recycling centers may also utilize these funds to establish mobile recycling for enhanced outreach. CalRecycle was appropriated an $73.3 million in the 2023 Budget Act and is scheduled to receive another appropriation for the same amount in the proposed 2024 Governor's Budget.

SB 1013 and AB 179 combined provide hundreds of millions of dollars in new funding. The scale of funding exceeds the ability of existing staff resources to absorb the new workload generated by these programs. The new programs require the development of criteria for solicitations and the management of multiple cycles of application review, scoring, and awards. Existing FiRM staff are already assigned a full workload.

**Staff Recommendation. Hold open.**

## 3480 DEPARTMENT OF CONSERVATION (DOC)

### Issue 23: Plugging and Well Remediation (BCP and TBL)

**Governor's Proposal.** The Governor's budget requests $7.5 million for 2024-25 and 2025-26 from the Oil, Gas, and Geothermal Administrative Fund (OGGAF) (Fund 3046) to implement the mandates of recent chaptered legislation associated with conducting state abandonments to plug and abandon hazardous and idle-deserted wells, decommissioning of facilities, and site remediation.

The proposal includes a shift of the 2023-24 $50 million one-time General Fund appropriation for this purpose to the Greenhouse Gas Reduction Fund (GGRF) in 2024-25, as follows:

- Commencing with 2022-23, and each fiscal year thereafter, $5 million.
- On a one-time basis, for 2024-25, $7.5 million as a match to the dedicated $50 million General Fund appropriation for 2022-23 for the above-mentioned purposes.
- On a one-time basis, for 2025-26, $7.5 million as a match to a dedicated GGRF appropriation for 2024-25 for the above-mentioned purposes.

**Background.** Orphan wells present an environmental hazard to California's communities. California's crude oil production has declined steadily in the last few decades, increasing the number of nonproductive wells throughout California. Currently there are more than 37,000 known idle wells in the state, all of which will eventually come to the end of their life, and their operators will be required to plug the wells and decommission associated production facilities.

Unplugged wells are often deserted by distressed operators and can pose a range of hazards to the public and the environment. Corroded well-casings can compromise the well's integrity and can allow leaking of hydrocarbons into water sources. Such leaks can migrate across geologic strata to contaminate aquifers, create oil seeps, endanger local wildlife, degrade air quality, increase greenhouse gas emissions, and threaten public health and safety.

As of April 2021, the state has documented over 5,300 orphan, deserted, and potentially deserted wells — meaning there is likely no responsible solvent operator to appropriately plug and abandon those wells. With no solvent entity legally responsible for these wells, responsibility for the proper abandonment of these wells generally falls to the state. The Division has statutory authority to undertake the abandonment of orphaned wells, but existing state funding and anticipated federal funding is insufficient to address the state's existing liability associated with orphan wells. The Division's most recent analysis found it will cost approximately $974 million to plug orphan wells. Should funding not be available, the costs could increase in future years. CalGEM has looked at recent plug and abandonment work, and the implementation of prevailing wage, and anticipates that over the next five years, the average cost to plug and abandon wells and perform site remediation would average approximately $260,000 per well site.

**Staff Comments.** The TBL specifically replaces "General Fund" with an appropriation "from a fund other than the Oil, Gas, and Geothermal Administrative Fund" for 2024-25 for purposes of plugging and abandoning well. The proposed language would allow the use of the proposed shift to GGRF. The Administration states that the purpose of the language is to provide flexibility, if for some reason the proposed fund source, in this case GGRF, would need to be changed. Also, given the state of the General

Fund, the Administration states that Public Resources Code Section 3528 would still be needed regardless of whether the proposed shift to GGRF were to be authorized.

**Staff Recommendation. Hold open.**

## 3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

### Issue 24: Malakoff Diggins State Historic Park (SHP) Mine Remediation Implementation

**Governor's Proposal.** The Governor's budget requests $6 million General Fund in 2024-25 and $1.5 million General Fund in 2025-26 and 2026-27 to continue implementation of improvements required by the State Water Resources Control Board and to maintain the remedial actions to abate contamination resulting from historic mining activities at Malakoff Diggins SHP for the Mine Remediation Project. Tasks in this proposal build upon previous appropriations used for design, permitting and initial implementation and construction.

Specifically, this request consists of: (1) $3.0 million ($1.5 million in 2025-26 and 2026-27) for sampling and monitoring, maintenance of prior cleanup actions undertaken by the state, and may include limited cleanup activities, and (2) $6 million to continue implementation of improvements.

As a result of historic mining activities and operations, there are environmental hazards within this park unit in violation of the Clean Water Act, and the Central Valley Regional Water Quality Control Board (Regional Board) has issued a waste discharge requirement. Parks has received funding for initial studies and the first phase of implementation of approved remediation plans. This request and its proposed tasks will build from previous appropriations used for design, permitting, and initial implementation and construction for continuation and expansion. The timeframe for the project is unknown due to the nature of the work and because the scope is under the direction of the regulators. After approval of the preferred alternative, initial remedies will be installed, implemented, and monitored. Parks is in discussions to finalize the plan and begin initial construction activities.

The administration states that this request is necessary to complete these activities to inform discussions on future steps. Once this initial phase is complete, depending upon how the environment reacts and what future toxicity levels reflect, the project could go into further implementation of additional remedies or move into ongoing operation and maintenance.

**Background.** Located in the Sierra Nevada foothills, Malakoff Diggins SHP is home to California's largest hydraulic gold mine and provides visitors with a glimpse back in time to the gold rush days. Malakoff Diggins SHP is listed on the National Register of Historic Places and is subject to the Secretary of the Interior's Standards for historic preservation. The North Bloomfield Historic District at Malakoff Diggins SHP is a National Historic Landmark and, by direct association, Malakoff Diggins mine pit could be considered a significant contributing historic feature. Proposed remedial solutions may impact protected cultural resources and risk delisting.

Ongoing erosion from the Malakoff Diggins mine pit causes turbid surface water runoff containing particulate-bound metals, including mercury, to discharge to Humbug Creek, a tributary to the South Fork Yuba River. Humbug Creek is listed, pursuant to the federal Clean Water Act, as impaired for sedimentation/siltation, mercury, copper, and zinc. Implementation of this proposal will continue to move Parks towards compliance, which is intended to reduce the potential for the Regional Board to enforce non-compliance by the assessment of fines as well as limit the potential for third party lawsuits.

**Staff Comments.** The Legislature faces a very difficult challenge to pass a balanced budget for 2024-25. According to the LAO, the budget deficit is estimated to have grown to $73 billion as of February 2024. As such, the Legislature will need to maximize the use of General Fund and do so in a fiscally responsible manner. In addition, under the administration's projections, the state faces operating deficits of $37 billion in 2025-26, $30 billion in 2026-27, and $28 billion in 2027-28. The LAO notes that although these future deficits are smaller than the current one, they are still quite significant.

**Staff Recommendation. Hold open.**

# 3340 CALIFORNIA CONSERVATION CORPS (CCC)
# 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

## Issue 25: Capital Outlay Projects

**Governor's Proposal.** According to the LAO:

The Governor's January budget proposes to fund various phases for a number of new capital outlay projects at CalFire and other Natural Resources Agency departments that will require additional General Fund expenditures in the budget year and/or out years. These projects include the following:

***CCC***

- ***Residential Center, Auberry.*** $5.9 million in lease revenue bonds (to be repaid by the General Fund) for the working drawing phase. Total project costs are estimated at $123.1 million. The proposal notes that this project also would increase ongoing operating costs by $7 million from the General Fund annually.

***CalFire***

- ***Boggs Mountain Helitack Base - Relocate Facility (Continuing).*** $1.5 million General Fund for the preliminary plans phase. Total project costs are estimated at $26.3 million.
- ***Butte Fire Center: Replace Facility (Continuing).*** $57.6 million in lease revenue bonds (to be repaid by the General Fund) for the construction phase. Total project costs are estimated at $63 million.
- ***Hayfork Fire Station: Relocate Facility (Continuing).*** $640,000 General Fund for the preliminary plans phase. Total project costs are estimated at $15.9 million.
- ***Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facility (Continuing).*** $2.5 million General Fund for the working drawings phase. Total project costs are estimated at $80.9 million.
- ***Humboldt-Del Norte Unit Headquarters: Relocate Facility (Continuing).*** $4 million in lease revenue bonds (to be repaid by the General Fund) for the working drawings phase. Total project costs are estimated at $78.3 million.
- ***Ishi Conservation Camp: Replace Kitchen (Continuing).*** $11 million General Fund to repay the interim financing loan for the construction of the project. This repayment is necessary due to an inability to secure the insurance coverage necessary to finance the project with lease revenue bonds, as originally intended. Total project costs are estimated at $11.8 million.
- ***Sonoma Lake Napa Unit Headquarters and St Helena Fire Station: Relocate Facility (New).*** $7.6 million in lease revenue bonds (to be repaid by the General Fund) for the performance criteria phase. Total project costs are estimated at $152.4 million.
- ***Parkfield Forest Fire Station: Relocate Facility (Continuing).*** $18.6 million in lease revenue bonds (to be repaid by the General Fund) for the construction phase. Total project costs are estimated at $20 million.
- ***Rohnerville Air Attack Base: Replace Fuel System (Continuing).*** $1.9 million General Fund for the construction phase. Total project costs are estimated at $2 million.

**Background.** ***CCC: Residential Center, Auberry.*** The project is intended to renovate and/or build new on an existing elementary school and include buildings consisting of an administration building, several dormitories, an education building, a multipurpose building, kitchen, and dining room, an apparatus building(s) with CalFire administration offices and laundry room, staff housing quarters, a new warehouse with work area, and a hazardous materials storage building.

Additionally, the scope of work includes related infrastructure and site work as needed. This facility is intended to accommodate about 90 permanent residential Corpsmembers and support Type 1 fire crews and respective CalFire staff. This capital outlay project is anticipated to be completed in December 2027.

**Staff Comments.** ***CCC: Residential Center, Auberry*.** The estimated total project costs are significantly higher now than previously ($60 million in 2022-23 vs. $123 million in 2024-25). The administration notes that project costs have increased due to supply chain issues as a result of COVID's impact on the economy, inflation, and revision to preliminary plans and working drawings to accommodate fire crews at Auberry (the original plan was to house Forestry Corps crews). The administration notes that if this project is delayed, the total project costs will increase even more.

In addition, the COBCP states, "A future Budget Change Proposal will be submitted for an estimated $7.2 million General Fund annually to fund startup and ongoing operational costs at the Auberry residential center to support about 18 staff and 90 Corpsmembers." Given the projections of the condition of the General Fund in outyears, including roughly $30 billion ongoing operating deficit, a question arises as to how the General Fund can support the costs associated with this project (both construction and operations).

***Sonoma Lake Napa Unit Headquarters and St. Helena Fire Station.*** Concerns have been raised regarding CalFire's proposal for the Sonoma Lake Napa Unit Headquarters regarding its location. The proposed fire station complex is proposed to be located in a known wildlife corridor. If the Subcommittee wishes to approve this proposal, the Subcommittee may wish to consider adding budget bill language to ensure that the design, construction, and use of the fire complex have minimal and/or mitigated impacts to the wildlife corridor.

**LAO Comments.** ***Capital Outlay Projects and General Fund.*** In light of the deterioration of the General Fund condition, the Legislature may want to be cautious about adopting new proposals that could exacerbate the state's budget problems—not only in the budget year but also in out years—and contribute to potentially needing to make future cuts to existing state programs to accommodate them. This includes applying a high bar to new capital outlay projects that may require General Fund support, both up front to fund early phases as well as longer-term commitments to repay bonds or fund additional operational costs.

While many of the proposed projects may address worthwhile needs, collectively, they will increase pressure on the General Fund by a notable amount. Specifically, the LAO estimates that the projects listed above will require about $18 million from the General Fund in 2024-25; about $75 million from the General Fund on a one-time basis over the next couple of years for future project phases; and close to $40 million annually from the General Fund over the next few decades to pay for debt service on lease revenue bonds, along with additional operating costs in the case of the Auberry residential center. (These would be in addition to $19 million on one-time costs and over $50 million in annual costs, likely mostly from the General Fund, to repay bonds for CalFire's new training center and Exposition Park's South East Underground Parking Structure.) Accordingly, it will be important for the Legislature to consider whether it wants to prioritize the use of the General Fund for these costs at this time, or whether it would prefer to defer action on some or all of these projects until the budget picture improves.

**LAO Recommendation.** ***Capital Outlay Projects and General Fund.*** The Governor proposes to fund various phases for a number of new capital outlay projects at CalFire and other CNRA departments in the 2024-25 budget.While many of the proposed capital outlay projects may have value, the LAO recommends the Legislature consider whether they all need to be funded this year given (1) the severity of the challenges with the state's budget condition and (2) that collectively, the LAO estimates these projects will increase General Fund costs notably in both the budget year and out years, thus exacerbating the challenges facing the General Fund.

**Staff Recommendation. Hold open.**

# 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

## Issue 26: Ramona Air Attack Base (AAB): Critical Emergency Response Operations Infrastructure Improvements

**Governor's Proposal.** The Governor's budget requests $12 million one-time General Fund in 2024-25 for a loading pit reconfiguration at the Ramona AAB to repair and improve retardant loading operations, better meet tactical objectives, and increase fire operations.

**Background.** CalFire occupies and operates the Ramona AAB in support of the wildland fire prevention and suppression mission in San Diego County and the surrounding State Responsibility Area (SRA) in southern California.

To help address increasing wildland fire threats, CalFire is receiving seven C-130 aircraft from the federal government and will be retrofitting them as Large Air Tankers (LAT), one of which will be based at the Ramona AAB. CalFire's current aircraft permanently stationed at Ramona AAB includes one OV-10 and two S-2T air tankers.

The current Ramona AAB loading pit configuration requires aircraft to rotate at the airbase apron and tail into the loading pit area where Ramona AAB personnel connect the retardant hose to the rear of the aircraft to load retardant into the airtanker. Current CalFire airtanker equipment (S-2Ts) have a small turning radius and wingspan, which accommodates this tight maneuverability. During initial attack incidents, or smaller scale major incidents, which do not require the inclusion of additional airtankers, the current methodology of tail-in loading meets smaller aircraft operational needs.

CalFire has hosted LATs during support of large-scale incidents and on temporary assignments. During these occasions, the LAT style aircraft create operational conflicts. LATs cannot tail-in load in the current Ramona AAB loading pit configuration: wingspans are too great and turning radii are not tight enough to allow the LAT aircraft to get close enough to the loading pits to tail-in load. Retardant loading hosing must be pulled out to LAT aircraft as the LATs are pulled parallel to the loading pits. This also makes it difficult, and at times impossible, for S-2T aircraft to pull in and load while LAT aircraft are reloading.

During large scale incidents, where many air tankers, including LATS, are required to reload out of the Ramona AAB, the tail-in reloading configuration becomes inefficient and creates aircraft queuing issues. LATs cause aircraft backups as they take much longer to reload and make the other loading pit areas inaccessible. During these operational needs, aircraft become stuck on the airport taxiways, which often requires the airport to limit or shutdown airport operations for non-fire aircraft. This configuration can cause delays in reloading, resulting in fewer retardant sorties onto fires, fewer tactical objectives being met, and less efficient fire operations.

These problems can be mitigated with pull-through style loading pits as used in the majority of California AABs (Rohnerville, Redding, Chico, Grass Valley, McClellan, Sonoma, Fresno, Paso Robles, and Porterville). This configuration allows all air tankers to pull off the airport taxiway directly into the loading pit to be reloaded. Once reloaded, the airtankers pull out directly back onto the taxiway to return to the runway. This configuration has been recognized for its efficiency, reduction in reloading times, and reduction or elimination of taxiway conflicts—all elements that impact the number of retardant sorties onto the fire.

The administration states that with the addition of improved loading pit configurations at Ramona AAB, CalFire will be more efficiently equipped to support a greater arsenal of air attack on wildfires.

**Staff Comments.** The Legislature faces a very difficult challenge to pass a balanced budget for 2024-25. According to the LAO, the budget deficit is estimated to have grown to $73 billion as of February 2024. As such, the Legislature will need to maximize the use of General Fund, and prioritize funding in a fiscally responsible manner. In addition, the Governor’s budget includes estimates of multiyear revenues and spending. Under the administration’s projections, the state faces operating deficits of $37 billion in 2025-26, $30 billion in 2026-27, and $28 billion in 2027-28. The LAO notes that although these deficits are smaller than the current one, they are still quite significant.

**Staff Recommendation. Hold open.**

**Issue 27: Additional CalFire Training Center (CFTC): New Facility (BCP)**

**Governor's Proposal.** The Governor's budget includes $18.7 million from the General Fund in 2024-25 for the acquisition of property on which to construct a new training center for CalFire. The total cost of this project is anticipated to be $419 million.

The acquisition phase is estimated to begin July 2023 and be completed in June 2026. The performance criteria phase is estimated to begin July 2026 and be completed in June 2028. The design-build phase is estimated to begin July 2028 and be completed February 2031.

**Background.** The existing CFTC in Ione, California consists of facilities that are over 50 years old and are over 50 miles from the nearest large, metropolitan area. A major capital outlay project to develop a master plan for the CFTC, which will expand and update the existing facility in Amador County has already begun; however, CalFire states that the restrictions of the current site and facility limit the amount of additional infrastructure and is not sufficient to cover current or future training needs.

The existing CFTC in Ione, California supports the training of then, approximately 3,000 department employees. The CFTC is a year-round training facility for CalFire personnel and allied public safety agency cooperators. The primary purpose of the CFTC is to train CalFire personnel to mitigate all-hazard calls of service, including and not limited to medical aids, rescues, structure and vehicle fires, wildland fire, hazardous materials incidents, and support to peace officers.

Various Budget Change Proposals approved in 2022-23 added 1,500 permanent positions to the department, of which approximately 750 will require training prior to emergency response. In 2023, the CFTCs are expected to train over 1,700 Fire Control Academy students, twice the 2021 number and over 500 more than 2022. Currently, the Labor Union, CalFire Local 2881, that represents all CalFire Firefighters is in a Joint Labor Management Committee to reduce the current work week from 72 hours to a 66-hour work week. This would result in a reduction in staff working hours by about eight percent. The reduction in work week hours would immediately increase the staffing numbers required to cover the shift vacancies created by the reduction in work hours. CalFire is at capacity with current demand, and it has created an unfeasible environment to properly train firefighters. In 2023, the current CFTCs will not be able to meet the need to train approximately 1,700 FFA and COA students.

To meet the increased training numbers in 2023 both Training Centers (CFTC in Ione and the Ben Clark Training Center in Riverside County) will have classes 49 out of 52 weeks, with a break during the New Years', Thanksgiving, and Christmas holiday weeks. This schedule provides no flexibility for facility maintenance and general repairs to housing areas, dining, or kitchen facilities. The annual deep cleaning of the kitchen, dining hall, and dormitory rooms will require multiple weekend overtime shifts between academy classes. Despite repeated support budget adjustments to increase training resources, demand continues to outpace supply.

*Temporary Training Facility.* CalFire is currently leasing a temporary facility in the northern region to meet the need of the additional required training of approximately 385 students. In May 2023, CalFire entered into a cooperative facility lease agreement with Shasta College to hold the additional trainings. CalFire is working with DGS to establish a long-term lease for the facility and plans on using Shasta College as a temporary facility until a new state-owned training center site can be established.

The administration states that Shasta College is not a permanent long-term solution for CalFire's increasing demand for training. To make it a viable option, Shasta College would need extensive expansion and renovation. These renovations would need to be done on leased property. In addition, Shasta College exceeds a thirty-mile radius from a major airport. The distance from a major airport is problematic given the travel required to Shasta College. In the long term, CalFire states that it cannot operate a training center at Shasta College.

**LAO Comments.** In the 2023-24 budget, the Governor proposed (1) $545,000 for a study that would identify potential parcels in the Sacramento area on which to construct a new training center facility for CalFire and develop a more refined cost estimate for the project, and (2) $18.7 million to acquire a property for the new training center. In the LAO's February 2023 publication *The 2023-24 Budget: California Department of Forestry and Fire Protection's Major Capital Outlay Proposals*, the LAO raised a variety of concerns about this proposed project. Among these concerns, the LAO found that CalFire had failed to adequately justify that its ongoing training needs are sufficient to require the construction of the new proposed facility. Furthermore, the LAO found that it was premature to fund the acquisition before:

(1) A forthcoming master plan for one of the state's main existing training centers in Ione (Ione Master Plan) was available for legislative review. This is because the Ione Master Plan is expected to provide insights into the expansion capacity at that facility, thus informing how much additional capacity, if any, would be needed at other facilities (such as potentially a new training center).

(2) The proposed study of the new training center was complete and available for legislative review. The LAO noted that the proposed study was anticipated to provide information on available sites, as well as develop refined scope and cost estimates for the project. This would be important information for the Legislature to have before deciding whether it makes sense to move forward with the project, as well as to more accurately estimate how much funding would be needed for the site acquisition.

In light of the concerns raised by the LAO, the Legislature approved partial funding for the project—providing $645,000 from the General Fund for a study with expanded scope but rejecting the proposed funding to acquire property for a new training center as premature. Through provisional language included in the budget bill, the Legislature required that the expanded scope of the study include information to inform whether a new training center is necessary and, if so, to gain a better understanding of the project's cost and scope. Specifically, the Legislature required that the study include estimates of future growth in CalFire staffing and associated training needs, as well as an evaluation of the benefits and costs of multiple potential alternatives for meeting those training needs (with constructing a new training center as one, but not the only, option considered). It further required that the results of the Ione Master Plan be incorporated into the study.

CalFire has not yet completed either the Ione Master Plan or the study that the Legislature funded last year to help inform whether and how it should move forward with constructing a new training center. Accordingly, consistent with the LAO's recommendation from last year, the LAO finds it premature to provide funding for the acquisition of property for the training center until these studies are complete and available for legislative review (anticipated to be April 2024). The Legislature could consider whether to provide funding when it has had time to review the contents of these studies and evaluate whether they justify moving forward with the proposed project.

**LAO Recommendations.** The LAO recommends the Legislature withhold action on the Governor's proposal to provide $18.7 million from the General Fund in 2024-25 for the acquisition of a property on which to construct a new training center for CalFire until it has an opportunity to review the contents of two forthcoming studies. The LAO finds it premature to fund the acquisition of property for this project when the Legislature has not yet been afforded the opportunity to review relevant studies, including justification for whether the project is necessary. The additional information from these reviews is important to informing the Legislature’s deliberations by providing clarity on the nature of CalFire’s training needs, the options available to meet those needs, as well as a more refined cost estimate for the potential construction of a new training center should it be determined to be necessary. Depending on how quickly CalFire completes these studies, information could be available to inform legislative action on this proposal as part of the 2024-25 budget process, or might necessitate deferring a decision until next year’s budget process.

**Staff Recommendation. Hold open.**

## Issue 28: 66-Hour Workweek (no BCP)

**Governor's Proposal.** According to the LAO:

***Includes Roughly $200 Million—Growing to Over $750 Million Ongoing—From the General Fund to Implement a 66-Hour Workweek.*** The Governor's budget includes $199 million ($197 million from the General Fund) and 338 positions in fiscal year 2024-25 to begin implementing a shift to a 66-hour workweek as contemplated in the 2022 MOU with Unit 8. The costs of the proposal would increase in the coming years as CalFire phases in the changes, rising to $770 million ($756 million from the General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29. As shown below, these costs include:

(1) salaries and benefits for adding new firefighter and other wildfire response-related positions;

(2) salaries and benefits for adding new support staff, including administrative personnel and maintenance staff;

(3) additional overtime (including both scheduled and unplanned) for firefighters and other wildfire response-related classifications;

(4) 235 new vehicles, as well as costs for vehicle leases, maintenance, radios, and equipment;

(5) various augmented aerial support-related contracts, such as for contracted pilots and mechanics at airbases;

(6) one-time special repair funding to address maintenance needs at CalFire facilities;

(7) training center costs; and,

(8) proportional funding for contract counties.

*(Continue to next page)*

## Summary of 66-Hour Workweek Funding Proposal

*(Dollars in Millions)*

| | 2024-25 | | Ongoing | |
|---|---|---|---|---|
| | Positions | Amount | Positions | Amount |
| **Salaries and Wages** | **338** | **$28.3** | **2,457** | **$191.9** |
| **Fire Response Positions** | **231** | **$19.5** | **2,075** | **$162.1** |
| Fire Apparatus Engineer | 104 | 7.6 | 1,352 | 98.7 |
| Fire Captain | 105 | 8.6 | 594 | 48.7 |
| Battalion Chief | 10 | 0.9 | 59 | 5.5 |
| Heavy Fire Equipment Operator | 10 | 0.8 | 40 | 3.3 |
| Assistant Chief | 6 | 1.1 | 24 | 4.3 |
| Forestry Fire Pilot | 5 | 0.6 | 15 | 1.7 |
| Aviation Officer III | 5 | 0.7 | 5 | 0.7 |
| Reduction of Firefighter I Costs | -14 | -0.8 | -14 | -0.8 |
| **Support Positions** | **107** | **$8.8** | **382** | **$29.8** |
| Associate Governmental Program Analyst | 56 | 4.2 | 302 | 22.7 |
| Staff Services Manager I | 5 | 0.4 | 34 | 3.0 |
| Heavy Equipment Mechanics | 25 | 2.0 | 25 | 2.0 |
| Direct Construction Supervisor I | 21 | 2.1 | 21 | 2.1 |
| **Overtime** | **—** | **$13.9** | **—** | **$122.3** |
| Scheduled Overtime | — | 9.5 | — | 83.6 |
| Unplanned Overtime | — | 4.4 | — | 38.8 |
| **Staff Benefits** | **—** | **$28.4** | **—** | **$206.4** |
| **Operating Expenses and Equipment** | **—** | **$20.0** | **—** | **$125.8** |
| **Contracts for Aircraft Staffing and Maintenance** | **—** | **$15.1** | **—** | **$15.1** |
| **Vehicles Purchases, Leases, and Repair** | **—** | **$48.5** | **—** | **$14.8** |
| **Training Center Costs** | **—** | **$33.2** | **—** | **$7.7** |
| **Special Repairs** | **—** | **$5.3** | **—** | **—** |
| **Contract County Proportional Share** | **—** | **$6.3** | **—** | **$86.4** |
| **Totals** | **338** | **$198.9[a]** | **2,457** | **$770.4[b]** |

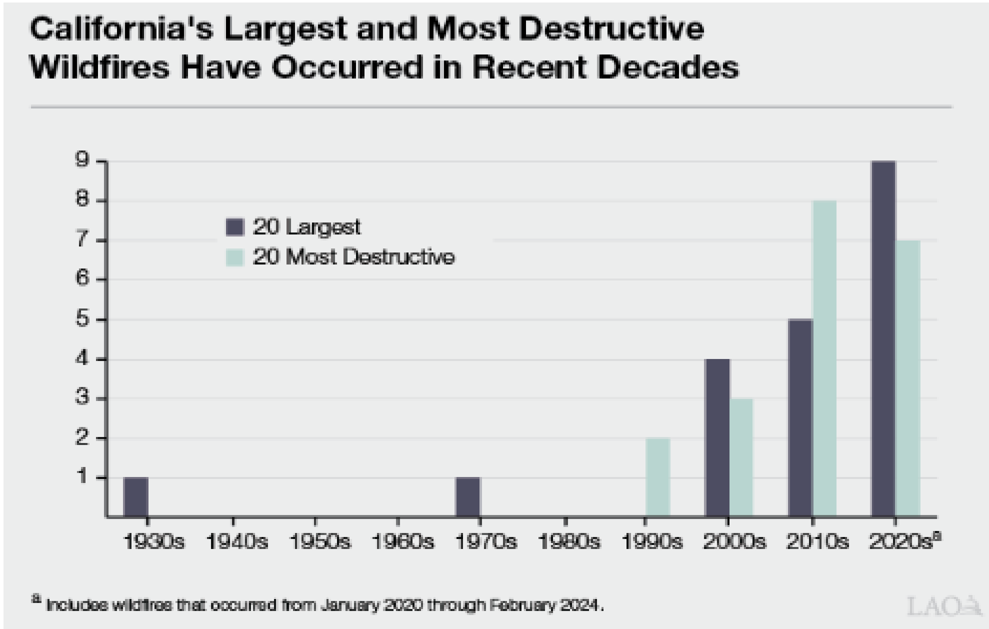
[a] $197 million from the General Fund and $2 million from reimbursements and various special funds.

[b] $756 million from the General Fund and $14 million from reimbursements and various special funds.

*Source: LAO*

**Background.** According to the LAO:

***CalFire's Main Responsibilities.*** *CalFire Has Responsibilities for Fire Response and Resource Management.* CalFire has primary responsibility for wildland fire response in State Responsibility Areas, which are mostly privately owned wildlands that encompass about one-third of the acreage of the state. The federal government is responsible for wildland fire response on federal lands. The balance of the state consists of both developed and relatively rural lands (generally not wildlands) for which fire response services are the responsibility of local jurisdictions. In some cases, local jurisdictions contract with CalFire to provide fire protection and other services on their behalf. In addition to its roles related to fire response, CalFire also has various responsibilities for the management and protection of the state's forests.




*Source: LAO*

***Trends in Wildfires and CalFire's Budget.*** *Major Wildfires Have Occurred Over the Past Several Years.* As the figure above shows, most of California's largest and most destructive wildfires have occurred in recent decades. This trend has been particularly notable in the last several years, which have seen some of the worst wildfires in the state's recorded history. For example, the 2018 wildfire season included the Camp Fire in Butte County, which became the single most destructive wildfire in state history with nearly 19,000 structures destroyed and 85 fatalities, including the near-total destruction of the town of Paradise. A few key factors have contributed to the recent increase in large and destructive wildfires, including climate change, poor forest and land management practices, and increased development in fire-prone areas.

*While Annual Wildfire Seasons Have Lengthened, Strong Seasonal Pattern Still Exists.* Despite recent years having particularly large and destructive wildfires and concerns about wildfires becoming a year-round phenomenon, the occurrence of wildfires in California continues to have a strongly seasonal pattern—primarily occurring during the summer and fall months when the weather is the driest. The figure below shows the average number of wildfires by month across the last five years compared to the ten-year average, along with the number of wildfires by month in the severe 2018 and 2020 wildfire seasons. As the figure shows, wildfire activity is relatively low from December through March and reaches its peak from June through August each year. While generally fewer wildfires occur in the fall (as compared to summer), these fires can be particularly severe because forests are dry after little to no rainfall during the summer, as well as due to other autumn weather conditions such as high winds.

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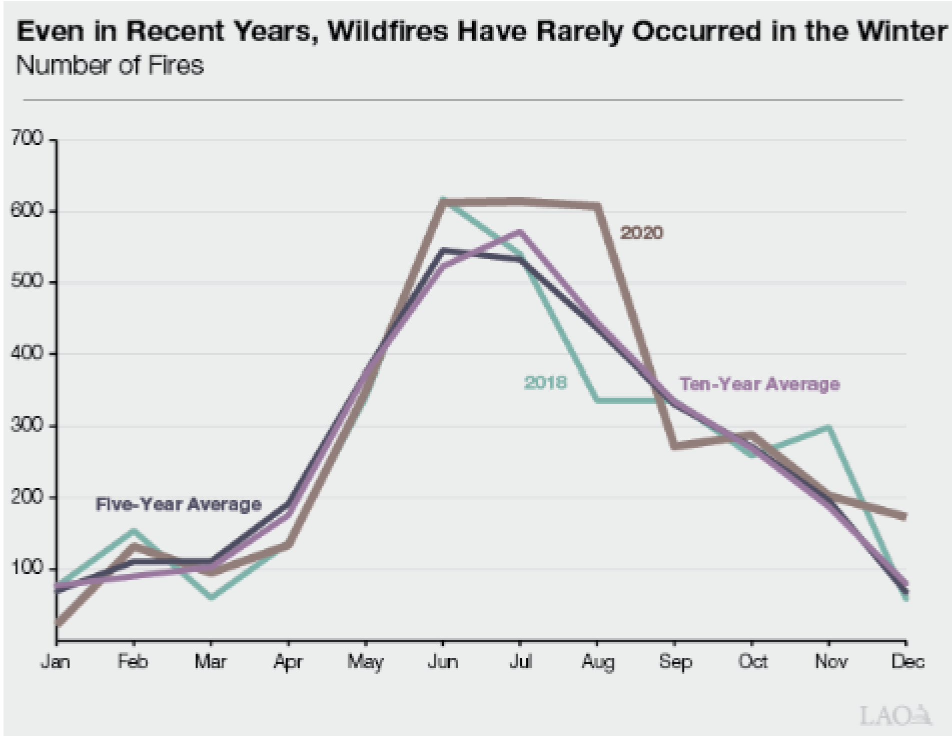



*Source: LAO*

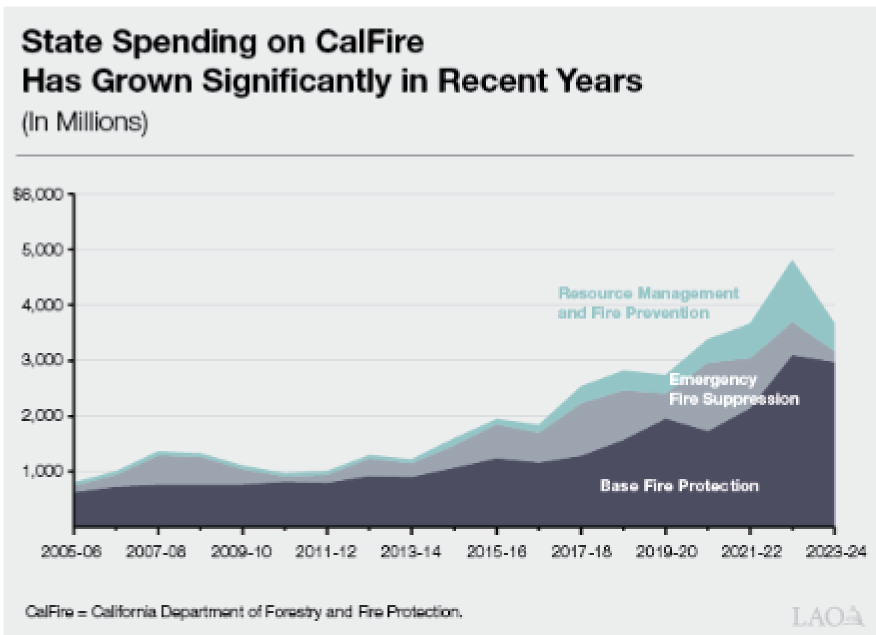
*Increase in Wildfires Has Led to Concerns About State's Preparedness and Demands on Firefighters.* Recent increases in large and severe wildfires have raised concerns about the state's capacity to adequately respond to these growing threats, particularly when multiple large wildfires occur simultaneously as has happened in recent years. Responding to these large and severe wildfires has imposed significant burdens on firefighters—many of whom have been required to work long stretches without breaks. This, in turn, has led to concerns about the mental and physical health and wellness of the firefighters who are on the frontlines of these events. These issues have been highlighted in the media—such as in a series of articles published in 2022 by CalMatters.

*Legislature Has Taken Various Actions to Respond to Concerns.* The Legislature has taken a number of actions in response to these growing concerns, including to improve the health and wellness of firefighters. For example, in the 2020-21 and 2022-23 budgets, the Legislature approved proposals—totaling roughly $170 million per year on an ongoing basis—to provide relief staffing for CalFire. The main goal of these augmentations was to reduce the strain on firefighters by making it easier for them to take time off, such as for vacations and training activities. Also, as part of the 2019-20 budget, the Legislature approved a proposal that provided $9 million annually and 25 positions to augment various employee health and wellness programs at CalFire.

In recent years, the Legislature also has approved various increases in fire response capacity more broadly, such as adding new fire crews at CalFire and partner agencies and funding new helicopters and other aircraft. (The LAO summarizes many of these augmentations in our 2022 publications, The 2022-23 Budget: Wildfire Response Proposals and The 2022-23 California Spending Plan: Resources and Environmental Protection.) By augmenting fire response capacity, the state provided resources to enable CalFire to respond more quickly and forcefully to wildfires. This, in turn, was intended to help keep fires from growing and exacerbating, thereby avoiding placing more severe strains on firefighters. Finally, the state also has made unprecedented investments in improving forest and landscape conditions in recent years, including providing $2.8 billion from 2020-21 through 2023-24 as part of a series of budget packages, as well as authorizing the continuous appropriation of $200 million annually from Cap-and-Trade program revenues through 2028-29 to support wildfire resilience activities.

These investments—which the LAO discusses in more detail in its February 2024 report, The 2024-25 Budget: Crafting Climate, Resources, and Environmental Budget Solutions—are aimed in large part at reducing the susceptibility of the state's forests and landscapes to catastrophic wildfires, which should indirectly reduce the strains on firefighters.

*CalFire Budget and Staffing Have Increased Substantially in Recent Years.* Driven by augmentations such as those discussed above, we estimate that CalFire's total base wildfire protection budget has nearly tripled over the past ten years (from $1.1 billion in 2014-15 to $3 billion in 2023-24). As shown in in the figure below, CalFire's overall budget also has increased, with its combined budget for fire protection, emergency fire suppression, and resource management and fire prevention more than doubling over the past ten years (from $1.7 billion in 2014-15 to $3.7 billion in 2023-24). Correspondingly, CalFire's staffing levels also have increased significantly over the past decade. Specifically, between 2014-15 and 2023-24, the number of positions that CalFire categorizes as related to fire protection increased from 5,756 to 10,275, and the total number of positions at the department grew from 6,632 to 12,000 (representing roughly an 80 percent increase in both cases).




*Source: LAO*

***Current Structure of CalFire's Workweek, Staffing, and Operational Models.*** CalFire's current workweek, staffing, and operational models are dictated in large part by the department's service needs, which include providing 24-hours per day, 7-days per week coverage on a year-round basis, as well as augmented response capacity during peak wildfire season. The LAO discusses these current structures in further detail below.

*CalFire Currently Operates on a 72-Hour Workweek.* CalFire firefighters have a different work schedule than most other state employees. To facilitate providing round-the-clock coverage, firefighters typically work—on average—four 72-hour workweeks in a 28-consecutive-day cycle. A 72-hour workweek typically consists of three consecutive 24-hour days (during which firefighters usually sleep at the station), followed by four days off.

*Under Current Workweek, Firefighters Receive Significant Compensation From Both Scheduled and Unplanned Overtime.* CalFire employees working a 72-hour workweek receive overtime pay for all hours worked in excess of 212 hours during the 28-consecutive-day work-period. (Pursuant to federal law, 212 hours is the maximum number of work hours allowed during a 28-consecutive-day period before overtime must be paid.) This compensation structure results in 19 hours in a typical workweek (or 76 hours in a 28-day pay period) being paid at 1.5 times an employee's hourly rate for scheduled overtime, referred to as Extended Duty Week Compensation. The LAO estimates that scheduled overtime makes up roughly one-third of the total base pay for most common firefighter classifications. For example, the salary range for an entry-level, seasonal Firefighter I position is roughly $3,700 to $4,600 per month, plus an additional $1,800 to $2,300 in scheduled overtime.

Employees receive additional pay for unplanned overtime for any time worked in excess of 72 hours in a workweek, which also is paid at 1.5 times an employee's hourly rate. Unplanned overtime is used to backfill staff that take vacations or engage in training exercises, as well as to engage in certain emergency response activities.

*CalFire Generally Uses a 3.11 Staffing Factor for Permanent Firefighters.* To provide round-the-clock coverage and allow each firefighter to take four days off per week, CalFire must hire more than one person to cover each fire response position (referred to as a "post"). Historically, CalFire used a staffing factor of 2.33, meaning the department would hire 2.33 firefighters for each post position in order to provide coverage seven days per week. As a result of the recent relief staffing augmentations, CalFire currently is in the process of moving towards a new standard staffing factor of 3.11 for most post positions. Under this new staffing factor, the department would hire 3.11 firefighters for each post to provide coverage seven days per week as well as for when firefighters take time off (such as for vacations, sick leave, or training). CalFire fire engines generally are staffed with three personnel at all times. Since each of these positions is considered a post that must be covered, it would take 9.33 personnel to staff each engine if a 3.11 staffing factor were applied to each of the positions.

*CalFire's Current Staffing and Operational Models Have Various Other Key Features.* Besides the workweek and staffing factors, other important features of CalFire's current staffing and operational models include the following:

- <u>Engines Currently Staffed With Mix of Classifications, Including Temporary Staff.</u> CalFire's fire engines generally are staffed with three personnel at all times. At least one of these three personnel is required to be a Fire Captain or Fire Apparatus Engineer (positions referred to as "company officers"). For example, a fire engine may be staffed with a Fire Captain and two Fire Fighter Is or a Fire Apparatus Engineer and two Fire Fighter Is. As shown in the figure below, these personnel have different qualifications and duties. For instance, a seasonal Fire Fighter I has relatively few professional prerequisites. In contrast, attaining the rank of Fire Captain requires significant firefighting experience, including serving for roughly three years as a Fire Apparatus Engineer. Additionally, the various classifications also carry notable differences in pay and benefits—the LAO estimates that Fire Captains earn roughly 50 percent more per month than Fire Fighter Is and Fire Apparatus Engineers earn roughly one-third more per month than Fire Fighter Is. (Fire Fighter Is also are less costly for CalFire to employ because they work a maximum of nine months per year rather than year round.)
- <u>CalFire Operates Three Staffing Periods.</u> Currently, CalFire operates three staffing periods—base, transitional, and peak. The number of fire engines, air attack bases, and helitack bases that the department activates varies across these three periods based on projected fire risk. For example, during peak season—which typically extends from roughly June through early October—CalFire operates 356 fire engines, 12 air bases, and 10 helitack bases. In contrast, during the base staffing period—which typically extends from roughly December through March—CalFire operates 65 engines and no aerial resources. Between the base and peak periods, CalFire operates what it refers to as a transitional staffing period. During these times of year, the number of fire engines and aerial resources are ramped up and ramped down.

- <u>CalFire Currently Rotates Personnel Individually Rather Than as a Group.</u> Currently, CalFire firefighters rotate on and off of their shifts individually rather than together as a group "platoon." For example, on a given fire engine, one firefighter may work Monday, Tuesday, and Wednesday; whereas another will work Tuesday, Wednesday, and Thursday; and a third will work Wednesday, Thursday, and Friday. For this reason, the same team of firefighters typically does not staff a fire engine together for more than one or two days a week.


*Source: LAO*

***Unit 8 and Recent MOU***

*Unit 8 Represents Most CalFire Personnel.* Under state law, state employees regularly undertake collective bargaining with the Governor (as represented by the California Department of Human Resources) over their compensation. State workers (except managers and certain others) are organized into 21 bargaining units and represented by unions. The product of the collective bargaining process is an MOU, which specifies the terms and conditions of employment. To take effect, MOUs must be ratified by union members and the Legislature. Unit 8 (CalFire Local 2881) represents most of CalFire's positions, such as Fire Captains, Fire Apparatus Engineers, Fire Fighter IIs, and Fire Fighter Is. (CalFire's positions that are not covered by Unit 8 mostly consist of its administrative and support positions, such as Associate Governmental Program Analysts and Office Technicians.)

*Legislature Approved Current Unit 8 MOU in September 2022.* The Legislature approved the most recent MOU with Unit 8 in September 2022 with the passage of AB 151 (Committee on Budget), Chapter 250, Statutes of 2022. This MOU is in effect through June 2024. A successor agreement likely will be submitted to the Legislature for ratification in the coming months, although the precise timing is not yet known. As the LAO discussed in its August 2022 analysis of the Unit 8 MOU, the agreement included various provisions such as providing a 6.6 percent general pay increase over two years, adding additional pay for employees with long tenures and certain education qualifications, increasing reimbursements for transit and vanpools, and changing the workweek.

*Unit 8 MOU Included 66-Hour Workweek Provision—Contingent on a State Budget Appropriation.* Under the agreement, the state and union agreed to reduce the CalFire firefighter workweek from 72 hours to 66 hours—a 24-hour reduction per 28-day pay period. The MOU set this change to take effect on November 1, 2024—notably, after the expiration date of the agreement—and subject to an appropriation in the 2024-25 budget. The agreement required that a joint labor management committee be established to determine the changes needed to implement the reduction, including hours of work, shift patterns, retention and recruitment, and classifications. The agreement further required the committee to present to the Director of the Department of Finance a mutual agreement by July 1, 2023, to be included in the Governor's budget proposal in January 2024. Notably, the MOU specified that if the Governor declares a fiscal emergency and General Fund monies over the 2024-25 Governor's budget's multiyear forecasts are not available to support the reduction to a 66-hour workweek on an ongoing basis (including the estimated direct costs and any increases in the cost of overtime driven by the proposal), the parties agreed to reopen the provision regarding how and when to implement the workweek reduction.

*Governor Intends to Declare Fiscal Emergency and General Fund Is Facing Very Large Out-Year Deficits.* Due to a deteriorating revenue picture relative to expectations, both the LAO and the administration anticipate that the state faces a significant budget problem. Specifically, in January the LAO estimated that the Governor's budget addressed a $58 billion problem. More recent fiscal data the LAO summarized in its February publication, The 2024-25 Budget: Deficit Update, indicate the budget outlook continues to worsen. The LAO now estimates the state has a $73 billion deficit to address with the 2024-25 budget. To address the budget problem, the Governor proposes a combination of actions including spending reductions, fund shifts, delays, reserve withdrawals, cost shifts, and revenue increases. Notably, while the Governor has not yet declared a formal budget emergency, the structure of the proposed solutions assumes that a declaration will be forthcoming in the next few months. Specifically, the proposed withdrawals from reserve accounts—a key part of the Governor's budget balancing plan—are only allowable with a budget emergency declaration. Moreover, in addition to the immediate budget problem facing the state, both the LAO and the administration estimate that based on current revenue forecasts, the state will face significant structural operating shortfalls—at least $30 billion annually—from 2025-26 through 2027-28.

**LAO Assessment.** ***Addressing Firefighter Fatigue and Welfare Is a Worthwhile Goal.*** *Workweek Change Aims to Address Legitimate Concerns About Firefighter Welfare.* The state has experienced some of the most severe wildfire seasons in its history in recent years. These wildfires have placed significant strains on the state's firefighters, many of whom have been asked to work for extended periods with few breaks. These long periods of work have been difficult for firefighters as well as for their families. By switching from a 72-hour workweek to a 66-hour workweek, the typical schedule for a firefighter would include roughly one fewer 24-hour shift per month than is currently the case. This, in turn, could provide some additional time off for firefighters, thus helping to address the legitimate concerns about fatigue that have resulted from these recent wildfire seasons. In adopting the Unit 8 MOU, along with the various other actions it has taken in recent years to address concerns about the health and wellness of firefighters, the Legislature has demonstrated that it prioritizes this issue.

***Legislature Faces Decision About Whether Proposal Is Affordable.*** Prioritizing firefighters' health and welfare through the concept of reducing their workweek was a reasonable step for the Legislature to take in September 2022. However, at the time that the Legislature approved the current Unit 8 MOU, both the cost of adopting a 66-hour workweek and the extent of the state's revenue shortfall still were unknown. The magnitude of the proposal the administration has now presented to the Legislature shows that it would create a substantial new ongoing General Fund commitment. This proposal comes at a time when the state faces a large, ongoing budget problem. As such, the Legislature faces a key decision as to whether or not implementing the change in the workweek is affordable given the state's current fiscal condition.

*Legislature Did Not Have Information About Cost Implications When It Considered MOU.* When the administration submits an MOU to the Legislature for consideration, it typically prepares an estimate of the associated costs. In the case of the Unit 8 MOU, however, the administration's cost estimate did not include the costs of the 66-hour workweek provision for a couple of reasons. First, the workweek change would not be implemented until after the expiration of the MOU and the administration's estimate only included costs for activities occurring during the term of the MOU. Second, the joint labor management committee was given relatively broad discretion regarding how to structure implementation of the new provision, but the committee was not even formed until after the MOU was ratified. These factors precluded the Legislature from having detailed information about the ultimate costs of implementing the 66-hour workweek change when it considered the MOU. Notably, at the time the LAO analyzed the MOU, the LAO estimated that the 66-hour workweek provision likely would be costly for the state. However, the LAO was only able to provide a broad sense of the potential costs—which the LAO stated were likely to be in the range of hundreds of millions of dollars annually—given the uncertainty regarding how the provision ultimately would be effectuated.

*Structure of MOU Workweek Provision Is Unique.* The provision of the Unit 8 MOU that establishes a 66-hour workweek differs from how policy changes typically are handled through the collective bargaining process in a few notable ways. First, the provision establishes a large policy change that affects how the state compensates its employees and how the state combats wildfires with minimal detail and significant deference to the joint labor management committee process. Second, the provision has very large fiscal effects that are not incurred until after the labor agreement has expired, making it impossible to know the full fiscal effect of the current MOU at the time of legislative ratification. Third, the provision specifies that implementation of the policy change is subject to legislative appropriation in the 2024-25 budget—an explicit acknowledgment of the Legislature's budget authority and its ability to revisit, modify, or reject the policy in the future. None of these three characteristics are standard of a typical MOU provision.

*Costs of Workweek Change Turning Out to Be Very High.* The cost of the administration's proposed approach to effectuating the 66-hour workweek change is substantial—$770 million ($756 million from the General Fund) when fully implemented. This proposal would result in a roughly 20 percent increase in CalFire's budget and staffing levels compared to 2023-24. (Total funding and staffing in 2023-24 already reflect significant increases compared to historical levels.) As noted, only limited information was available on the details and implications of the 66-hour workweek when the Legislature approved the MOU, so it may not have expected the associated costs to be this high. The 66-hour workweek change also could create cost pressures for the state that are not reflected in the proposal. Most notably, by significantly increasing the number of firefighters the state employs, the proposal would contribute to the need to build a new CalFire training center, which is estimated to cost roughly $420 million.

*Fiscal Conditions Have Deteriorated Since the Legislature Considered the MOU.* When the Legislature considered the Unit 8 MOU in September 2022, the state's fiscal condition and outlook looked significantly better than they do currently. Specifically, around the time the 2022-23 budget was enacted, both the LAO and the administration anticipated the state's budget would be roughly balanced over the coming years. Since that time, revenue projections have declined precipitously. For example, the administration's revenue forecasts for 2023-24 and 2024-25 are more than $70 billion lower than they were in June 2022—and the LAO's projections are even worse. This revenue erosion has resulted in significant projected deficits both in the budget year and out-years.

*Legislature Maintains Flexibility Over Implementing MOU Based on State's Funding Capacity.* The provisions of MOUs are always subject to appropriation, as the Legislature has the fundamental constitutional "power of the purse." However, as referenced above, MOUs typically do not include language explicitly declaring this to be the case. The fact that the Unit 8 MOU explicitly mentions this condition seemed to emphasize that the Legislature might need to weigh the capacity of the General Fund to support the costs of the change beginning in 2024-25. Also, regardless of the intent of the language in the MOU, no particular Legislature may "bind the hands" of a future Legislature by requiring a future appropriation. As such, even though it approved the Unit 8 MOU, the Legislature still has flexibility around whether to provide funding to implement this proposal—as with any other proposal the committee and administration might put forward.

*Governor Is Inconsistent in Pulling Back Some Commitments While Retaining 66-Hour Workweek Change.* The administration putting forth this workweek proposal despite the budget shortfall—and thereby deferring to the Legislature to decide whether the General Fund can sustain the associated costs—deviates from its approach to various other state commitments. Notably, in light of recent deteriorations in the condition of the General Fund, the Governor is proposing to pull back numerous other commitments that the state made in recent years. For example, the Governor is proposing to eliminate the existing telework stipends that have been provided to many state employees—even though these stipends also were agreed upon in negotiations with numerous bargaining units—to save a much smaller amount than the cost of the 66-hour workweek proposal ($26 million General Fund annually). Additionally, the Governor is proposing various budget solutions in the climate, resources, and environmental areas—including reductions, delays, and fund shifts—to achieve $4.1 billion in savings to address the 2024-25 budget problem. These proposals would pull back multiple funding commitments that were made over the past few years, including reducing well over $1 billion in funding that has already been appropriated. Given the condition of the General Fund, the LAO thinks it is both reasonable and necessary for the Legislature to revisit all its previous budget commitments—including those the Governor proposes revising and those he would leave intact—to determine whether they still are among its highest priorities for available funding.

***Withholding Approval of Funding in 2024-25 Could Have Some Notable Advantages.*** There are a few reasons why it could be beneficial to the Legislature to withhold its approval of funding to implement the workweek proposal in 2024-25.

*Withholding Approval Would Preserve Legislative Flexibility to Revisit Approach.* The MOU includes language allowing for the reopening of when and how to implement the change in the workweek through future collective bargaining negotiations if the Governor declares a budget emergency and the General Fund cannot sustain the costs. However, in practice, if the Legislature chooses to appropriate the proposed funds to implement the change as part of the 2024-25 budget, delaying implementation through the collective bargaining process likely will be difficult and result in some other concessions to affected employees that would increase state costs. Deferring to the collective bargaining process for adjusting the workweek provision also would constrain the Legislature's role in being able to shape any potential modifications, since its only involvement with MOU agreements is a "yes" or "no" vote on ratification. In contrast, if the Legislature were to defer approving funding for implementing the 66-hour workweek, it would give the parties the opportunity to reopen discussions on that provision as part of the upcoming negotiation process, such as to consider an alternative implementation timeline or put forward alternative and less costly options to address firefighter welfare. It also would give the Legislature the opportunity to independently explore whether it would like to implement other approaches to addressing its concerns about firefighter health and wellness instead of the workweek change. Accordingly, not funding the workweek proposal in 2024-25 is among the only effective avenues available to the Legislature if it wants to maximize its authority and flexibility to consider alternative approaches.

*Withholding Approval Would Allow Legislature to Adjust to Future Budget Conditions.* The flexibility provided by not approving the proposal in 2024-25 would allow the Legislature to revisit the choice regarding whether to implement the 66-hour workweek change in a future year when the General Fund has greater capacity, including potentially with modifications as needed or desired. In contrast, if the Legislature approves the proposal now and the budget condition does not improve, it may be in a position of having to make even steeper cuts to other activities (or raising taxes by an even larger amount) to sustain this new funding commitment in the out-years while facing multibillion-dollar annual deficits.

*Withholding Approval Would Enable Revised MOU to Incorporate Various Details That Have Yet to Be Bargained.* Withholding approval of funding for the 66-hour workweek also would give the collective bargaining process more opportunity to work out specific details of the policy so that the Legislature and public can be more aware of the totality of the proposal and the details can be fully incorporated into a revised MOU. For example, the current MOU does not incorporate any changes to the number of hours firefighters would be paid for scheduled overtime, despite the fact that firefighters would be working fewer hours under the proposal. If a revised MOU were to come back to the Legislature for consideration in a future year, the negotiating parties could consider whether overtime pay policies for firefighters also should be adjusted in tandem with the workweek change.

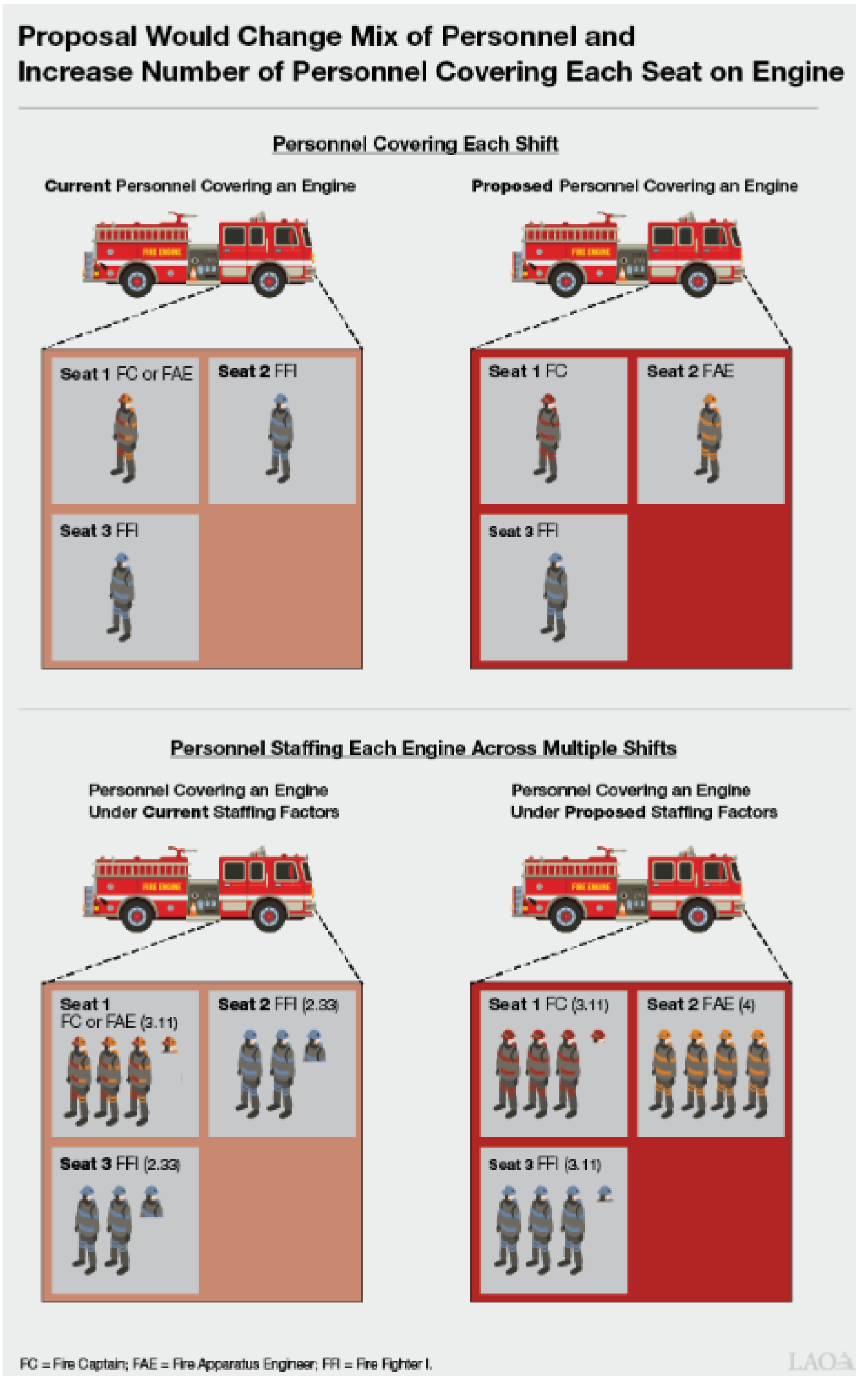
***Proposal Has Large Operational and Other Impacts.*** The main intent of the proposal is to change the CalFire workweek from 72 hours to 66 hours. However, it goes well beyond just hiring proportionately more personnel to implement this change. Instead, the Governor also proposes making various changes to CalFire's staffing and operational models—with significant associated costs. Additionally, the proposal also has potential indirect impacts on both CalFire and other partner agencies, such as local governments, which are not fully understood at this time.

*Administration's Proposed Approach Driven by Goal of Addressing Imbalance in Ratio of Positions and Increasing Staff Development Pipeline.* The administration argues that it cannot reduce the workweek simply by adding proportionately more firefighting staff. Instead, in addition to hiring additional firefighters overall, the administration also proposes to modify various other aspects of CalFire's staffing model to address a current problem with its staff development pipeline. Specifically, the proposal makes two key changes with the primary intention of increasing both the number and proportion of Fire Apparatus Engineers the department employs. The administration's primary rationale for these changes is a concern that it would struggle to hire a sufficient number of Fire Captains to implement the workweek change if the department were to continue with its current staffing model. Working for at least three years as a Fire Apparatus Engineer is a prerequisite for being eligible to be hired for a Fire Captain position. Under CalFire's current engine staffing model, the department employs roughly three Fire Captains for every two Fire Apparatus Engineers. According to the administration, this imbalance has resulted in an inadequate pipeline of qualified staff to fill Fire Captain positions. The administration believes that adding large numbers of additional firefighters to reduce the workweek without changing the current staffing model would exacerbate this imbalance and result in an unworkable shortage of Fire Captains.

*Proposed Approach Would Greatly Increase Share of Experienced, Year-Round Staff, Resulting in Higher Costs.* The administration proposes to create a larger pipeline to Fire Captain positions by creating far more Fire Apparatus Engineer positions than would otherwise be necessary. Specifically, the administration proposes two actions that together have the effect of significantly increasing the number of Fire Apparatus Engineer positions relative to other firefighter classifications, both of which have notable cost implications:

- <u>Increases Share of Seats on Engines Filled by More Experienced, Year-Round Fire Apparatus Engineers.</u> As shown in the figure below, under the proposal, CalFire would use Fire Apparatus Engineers to fill many of the posts that currently are filled by entry-level, seasonal Fire Fighter Is. For example, an engine that currently is staffed at any given time with a Fire Captain and two Fire Fighter Is might instead be staffed by a Fire Captain, Fire Apparatus Engineer, and Fire Fighter I.

- <u>Increases Number of Positions Hired to Cover Each Fire Apparatus Engineer Seat on an Engine.</u> In addition to changing the staffing mix on an engine during a particular shift, the proposal also would change the number of Fire Apparatus Engineers CalFire hires to cover an engine across multiple shifts. (The number of positions hired to cover a particular post across multiple shifts is referred to as a staffing factor.) This proposed change also is illustrated in the figure below. Specifically, under the proposal, four people would be employed to cover each Fire Apparatus Engineer post rather than 3.11, as is the current policy. (As displayed, the proposal also would increase the current staffing factor for Fire Fighter I positions from 2.33 to 3.11.)

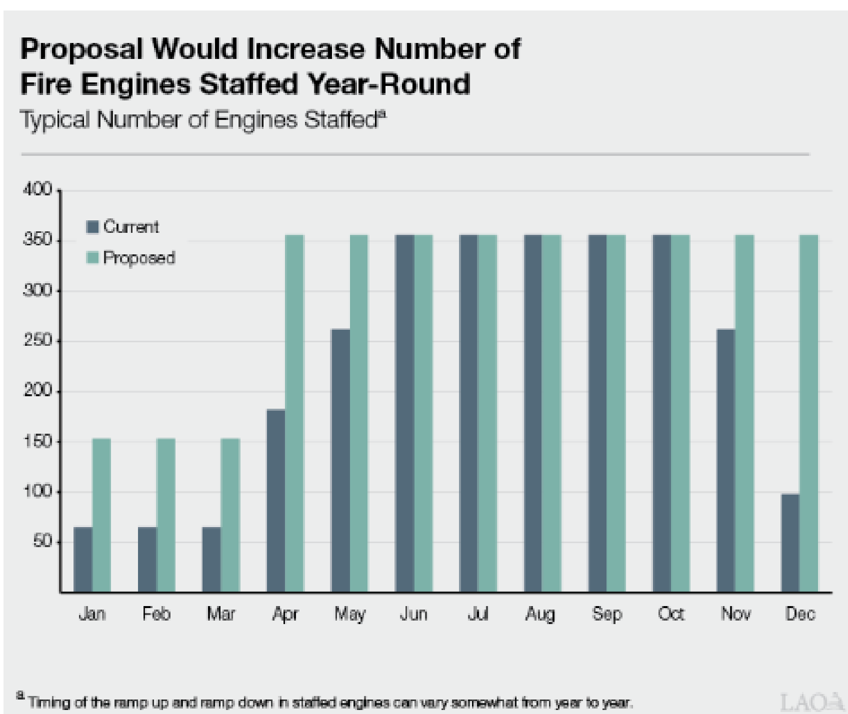



*Source: LAO*

The net result of these changes is that the proposal not only increases overall CalFire staffing levels by roughly 20 percent but also makes very significant changes to the mix of personnel employed by the department. Notably, the proposal would roughly double the number of Fire Apparatus Engineers employed by the department, while decreasing the number of Fire Fighter I positions. This, in turn, has very large fiscal implications because Fire Apparatus Engineers are much more costly for the department compared to Fire Fighter Is, both because their pay and benefits are more substantial and because they work more months per year.

*Approach Has Various Cascading Impacts on CalFire's Operational Model.* The addition of over 2,000 new firefighters combined with the shift towards a much higher share of firefighters being more experienced year-round staff would have notable operational implications for CalFire, including the following:

- Would Increase the Number of Fire Engines Staffed Year-Round. The expanded ranks and higher share of permanent (rather than seasonal) firefighters would allow CalFire to modify when it staffs its fire engines. Specifically, instead of its current model of three staffing periods—base, transitional, and peak, as discussed earlier—CalFire would move to two staffing periods—base and peak—as shown below. Also, the peak staffing period would be extended to nine months rather than five months. Furthermore, the number of fire engines that would be staffed during the base period would more than double—153 versus 65.
- Would Adopt a Platoon Staffing Model. In addition to moving the department towards greater year-round staffing of engines, the additional permanent personnel would allow CalFire to adjust its staffing rotation to a platoon model (subject to further bargaining with Unit 8). Under this approach, firefighters would rotate on and off duty together as a group rather than individually. For example, an engine might be staffed by a team made up of a Fire Captain, Fire Apparatus Engineer, and Fire Fighter I on Monday, Tuesday, and Wednesday; a separate trio of individuals on Wednesday, Thursday, and Friday; and a third group on Friday, Saturday, and Sunday. Notably, under this model, some days would have overlapping groups of two teams working on the same day.




*Source: LAO*

***Legislature Could Explore Other Options.*** Addressing the welfare of firefighters is a worthwhile goal. However, particularly given the state's fiscal condition, the Legislature could consider other ways to address this underlying concern as an alternative to changing the workweek. Furthermore, even if the Legislature wants to proceed with implementing a 66-hour workweek, it could consider modifying the approach proposed by the administration.

*Degree to Which Proposal Will Address Concerns About Firefighter Wellness Is Unclear.* At a high level, the administration's proposal to reduce the workweek would result in the state hiring many more firefighters and each firefighter working the equivalent of one fewer 24-hour shift per 28-day pay period. This has the potential to improve conditions for firefighters since they will receive some extra time off relative to their current schedules. Also, because the proposal would result in higher overall staffing levels at CalFire, it could increase firefighting capacity and thus somewhat reduce the amount of overtime any individual firefighter might be asked to work. However, the extent to which the change would improve firefighters' overall health and wellness is uncertain. This is in part because—as discussed in the box below—the nature of the health and wellness challenges facing firefighters is not fully understood, and thus the most effective strategies for addressing these issues are not particularly clear. Additionally, the proposal would not affect many of the underlying challenges associated with being a firefighter. Specifically, under this proposal, firefighters still would have to deal with the various inherent strains of the job, including doing physically and emotionally strenuous work. Moreover, even with a shorter workweek firefighters still would be expected to work regular 72-hour shifts and still would have to be available to serve potentially much longer periods during severe wildfire events.

### Lack of Clarity Regarding Nature of Problem With Firefighter Welfare

A general recognition exists that the health and wellness of firefighters is a concern—particularly in light of recent severe and destructive wildfire seasons. However, the scope of the issues facing the California Department of Forestry and Fire Protection's (CalFire's) firefighters still is unclear, as data on key metrics such as the incidence of post-traumatic stress disorder, other mental health issues, and suicides are limited. Additionally, despite the increasing concerns about the health and wellness of firefighters, CalFire reports that its employee retention rates have remained largely stable over time and firefighting positions appear to continue to be very attractive to new employees. To date, CalFire has not provided evidence that it has faced challenges attracting firefighters to work at the department. For example, CalFire reports that it currently has three times more applicants for entry-level Fire Fighter Is than available positions, suggesting that health and wellness concerns are not dissuading people from pursuing this profession.

*Most Cost-Effective Way to Address These Firefighter Wellness Concerns Is Unclear.* Given the lack of clarity around the strains affecting firefighters and the best ways to address them, the Legislature could consider alternatives besides changing the workweek. For example, the Legislature could expand the existing health and wellness programs at CalFire to ensure that firefighters have access to robust support for mental and physical health concerns. Other changes the Legislature could explore include implementing policies that prohibit firefighters from working more than a certain number of days in a row (potentially paired with expansions in the use of mutual aid with partner agencies to offset potential losses in fire response capacity) or decrease the number of hours worked in the offseason (such as through reducing or eliminating planned offseason overtime, as was done prior to a change that occurred in 2006-07). Additionally, the Legislature could consider using some of the funding that would be required to implement the 66-hour workweek change to instead support efforts to improve conditions in the state's forests. Such investments potentially could provide long-term benefits to firefighters—as well as to the environment and surrounding communities—by reducing the likelihood of the severe wildfires that create the most significant strains on firefighters. Each of these actions would involve trade-offs, but they remain available options for the Legislature to explore if desired.

*Other Ways to Implement a 66-Hour Workweek.* The administration indicates that it does not believe any other viable approaches to reducing the workweek exist apart from the one it presents in its proposal. However, if the Legislature wants to move forward with implementing a 66-hour workweek in accordance with the MOU, the LAO has identified a number of other approaches for doing so—although none is without trade-offs. For example, the Legislature could consider:

- <u>Reducing Relief Staffing.</u> The Legislature could consider reducing the workweek at least in part by dropping the engine staffing factor back to 2.33 (the level prior to the changes approved in 2020-21 and 2022-23). Under this approach, the additional personnel that CalFire currently is in the process of hiring to implement a 3.11 staffing factor could instead be used to provide coverage for a reduction in the workweek. This could allow the department to shorten the workweek without adding such significant new costs. A major drawback to this approach is that maintaining a lower staffing factor would deny firefighters the benefit of additional capacity to cover time off for vacations, training, and other activities. It also could potentially result in some additional overtime compared to current plans.
- <u>Increasing Scheduled Overtime.</u> The Legislature could consider using scheduled overtime to meet at least some of the reduced workweek hours. If the reduced workweek hours were covered entirely through scheduled overtime, this would essentially result in firefighters working a similar amount as they currently do, but shifting some of those hours to be classified as overtime. Such an approach likely would have the effect of increasing the net compensation for firefighters—and therefore state costs—but the LAO expects that the overall costs would be less than the Governor's workweek proposal. A major drawback to this approach is that even though it might increase firefighter compensation, it would not reduce their total work hours to the same degree, and thus might not provide the desired health and wellness benefits.
- <u>Addressing the Fire Captain Shortage Through Other Approaches.</u> The Legislature could consider adding firefighters to implement the 66-hour workweek but taking other, less expensive actions to address the Fire Captain imbalance. Many of the administration's proposed changes—and associated costs—result from increasing the number of Fire Apparatus Engineers to encourage a bigger development pipeline for Fire Captains. The Legislature could instead adjust CalFire's existing classification requirements, or create a new classification. For example, the Legislature could look into creating a Lieutenant classification as a rank between Fire Captain and Fire Apparatus Engineer, which could enable Fire Apparatus Engineers to promote more quickly. This, in turn, would mean that fewer Fire Apparatus Engineer positions would be necessary to create an adequate staff development pipeline for higher-level positions. The Legislature also could direct CalFire to try to recruit Fire Captains from other agencies. Even if this required increasing the Fire Captain salary to make it more attractive, such an approach could potentially be less expensive than significantly expanding the number of Fire Apparatus Engineers beyond what is necessary to effectuate the workweek change.

***If the Legislature Approves Proposal, Important to Maximize the Benefits.*** Given the important goals—and very large costs—of the Governor's 66-hour workweek proposal, if the Legislature moves forward with approving it, ensuring that the change provides as much value as possible to the state will be important. Below, the LAO discusses how the Legislature can facilitate this objective through requiring additional tracking and reporting.

*Proposal Has the Potential to Improve Wildfire Resilience, but Actual Benefits Will Depend Upon Implementation…* The administration's proposed approach to decreasing the workweek to 66 hours would result in the state hiring over 2,000 additional permanent firefighters upon full implementation. These firefighters would work on a year-round basis even during months when relatively few wildfires occur. In principle, when not fighting fires, these personnel should be available to perform other priority activities, such as thinning forests and conducting prescribed burns to improve the resilience of the state's forests. Importantly, however, the level of wildfire resilience benefits that ultimately are achieved will depend heavily on the extent to which the additional firefighters actually conduct this wildfire resilience work in practice.

*…And Wildfire Resilience Activities Currently Not Well-Tracked.* CalFire does not systematically track the amount of time its crews spend on wildfire resilience work versus other pursuits, which makes verifying the extent to which firefighters actually spend time on these activities difficult. Moreover, while CalFire currently tracks and reports the overall number of acres treated as a result of activities undertaken by the department, it does not report a break out of how many acres were treated directly by CalFire personnel—either by firefighting crews or by dedicated fuel reduction crews—compared to those treated by partners that receive grants administered by CalFire. Absent such information, determining whether changes in the number of acres treated are a result of additional activities being conducted by firefighters—including personnel added as a result of the 66-hour workweek proposal—or stem from other state investments (such as the funding provided in recent wildfire resilience packages) will continue to be challenging. Should it fund the workweek change, the Legislature could use it as an opportunity to hold CalFire more accountable for achieving demonstrable wildfire resilience co-benefits by requiring more detailed reporting on (1) how CalFire firefighters spend their time, including the amount of time spent on wildfire resilience activities, and (2) the number of acres treated by CalFire firefighters.

**LAO Recommendations.** ***Evaluate Whether Adopting New 66-Hour Workweek Is Affordable at This Time Given Significant General Fund Shortfall.*** The LAO recommends the Legislature not treat the decision about whether to fund the implementation of a 66-hour workweek as one that has already been made. As noted, the MOU was structured to provide the state with the flexibility to weigh the state's fiscal condition when determining whether or not implementation of this change should proceed—including by explicitly making it subject to a legislative appropriation and by including language that negotiations over the provision could be reopened if the Governor declares a fiscal emergency. The LAO therefore recommends the Legislature decide whether or not to fund this change in 2024-25 based on its evaluation of the merits of the proposal, taking into account the information it now has on the costs of implementing the change and the condition of the General Fund. Given the state budget deficit, the LAO recommends the Legislature reassess all its previous budget commitments—including those the Governor proposes revising and those he would leave intact—to determine whether they still are among its highest priorities for available funding.

Notably, given the recent deterioration in the condition of the General Fund, the LAO expects that difficult budget decisions may lie ahead for the Legislature. Specifically, based on current revenue projections, to bring the budget into balance over the next few years, the Legislature will have to adopt some combination of ongoing program reductions and tax increases totaling at least $30 billion. Accordingly, the LAO recommends that the Legislature weigh whether the benefits of the 66-hour workweek proposal are sufficient to prioritize funding it beginning in 2024-25, recognizing that doing so likely will come at the expense of cutting other existing ongoing commitments more deeply and/or raising taxes more significantly than would otherwise be the case.

***If Uncertain Whether General Fund Can Support Proposal, Do Not Approve in 2024-25…*** Several factors contribute to uncertainties around whether the General Fund can sustain this proposal in the coming years, including its high costs, current projections of budget-year and out-year deficits, and lack of clarity regarding future economic conditions. Moreover, as noted, the Legislature did not have comprehensive cost estimates or information on the operational implications of the proposal when it approved the concept of the workweek reduction through ratifying the MOU. Should the Legislature determine that these concerns require a more cautious approach to adopting this substantial operational change with myriad impacts at this time, the LAO recommends it consider deferring approval of funding for the workweek reduction to a future year. (In practice, this would mean rejecting the proposal without prejudice in 2024-25.) This option would provide the Legislature with the flexibility to sustain its long-term commitment to the goals of addressing firefighter health and wellness, but also account for the state's current fiscal realities. The Legislature could then reevaluate the concept of implementing the 66-hour workweek change in the future when the state's budget condition improves.

Delaying implementation also could offer other benefits, including providing additional time for the Legislature to consider potential modifications to the proposal (such as alternative ways to address the Fire Captain pipeline challenges) and to gather information on the possible indirect implications (such as on contracts with local agencies). Deferring providing funding now also could allow the forthcoming collective bargaining process to consider changes—which is unlikely to occur if the Legislature proceeds with appropriating the funding in 2024-25. The administration could come back to the Legislature sometime after the next round of MOU negotiations—such as in 2025-26 or a future year—with a similar or revised implementation proposal as part of a future MOU. This revised MOU could, for example, incorporate various details that have yet to be bargained so it better reflects the totality of the change. The negotiations also could revisit other potential options for reducing the workweek, such as using other approaches to improve the pipeline to high-level positions instead of substantially increasing the share of Fire Apparatus Engineer positions. The Legislature could then consider whether to approve a revised MOU and fund the change to a 66-hour workweek when the administration presents them to the Legislature again.

***…And Consider Other Options for Addressing Firefighter Wellness Concerns.*** If the Legislature were to defer action on the proposed workweek change, we recommend it explore supporting other, less costly, steps to address concerns about firefighter health and wellness in the interim. For example, some changes the Legislature could consider include (1) various options for expanding existing health and wellness programs at CalFire to ensure that firefighters receive adequate professional support when they experience times of crisis, (2) policies to reduce the number of hours firefighters work in the offseason and/or the number of hours firefighters work per shift during severe wildfires, and (3) additional support for projects to improve forest conditions and make the state's landscapes more resilient to the catastrophic fires that impose the most strain on firefighters. The Legislature also could consider providing a small amount of dedicated funding to support independent research to better understand the scope of problems with health and wellness among CalFire firefighters, such as the underlying causes and most promising approaches for cost-effective solutions. Such research could help inform future decisions regarding whether reducing CalFire's workweek is the optimal approach to improving firefighter health and wellness.

***If Legislature Wants to Proceed With Implementation This Year, Consider Adding Reporting Language.*** If the Legislature determines that reducing CalFire's workweek is among its highest priorities for the General Fund this year, the LAO recommends it adopt provisional budget bill language requiring the administration to track the wildfire resilience co-benefits of the proposal—including the time firefighters spend on wildfire resilience work and the amount of resilience work completed by CalFire's firefighters—and to report this information on an annual basis to the Legislature. Such an annual report would provide important information to help the Legislature assess how the newly approved personnel are being used and ensure that they are maximizing the wildfire resilience co-benefits that can be achieved. (While the LAO thinks this information would be particularly important if the Legislature significantly expands CalFire staffing, the Legislature may want to consider requiring such a report regardless of its action on this proposal, as it also could help improve overall understanding of wildfire resilience co-benefits achieved by existing wildfire response staff.)

**Staff Recommendation. Hold open.**

***Senate Budget and Fiscal Review—Scott Wiener, Chair***
**SUBCOMMITTEE NO. 2** **Agenda**

**Senator Josh Becker, Chair**
**Senator Ben Allen**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, April 18, 2024**
**9:30 a.m. or Upon Adjournment of Session**
**1021 O Street - Room 2200**

Consultants: Eunice Roh and Joanne Roy

# DISCUSSION



*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

### Issue 1: Coastal Wetlands Fund Abolishment (BCP and TBL)

**Governor's Proposal.** The Governor's budget proposes trailer bill language (TBL) to abolish the Coastal Wetlands Fund (3104) and transfer the remaining fund balance to the General Fund. CDFW requests to abolish Fund 3104 as revenue no longer comes into this fund.

The proposed TBL will enable CDFW to abolish Fund 3104 and transfer the remaining fund balance to the General Fund. There has been no expenditure activity in this fund since 2008-09. Even though there has not been any activity, having an active fund requires CDFW to complete financial statements and additional reconciliation due to interest posting. This can take significant staff time and abolishing the fund will allow the CDFW to focus that staff time on other priority funds.

**Staff Recommendation. Approve as budgeted.**

### Issue 2: Long-Term Funding for Vegetation Management and Fire Resiliency Positions

**Governor's Proposal.** The Governor's budget requests $2 million from the Timber Regulation and Forest Restoration Fund (TRFRF) in 2024-25 and ongoing to support CDFW's facilitation of and participation in statewide forest health and fire-resiliency initiatives.

In 2019-20, CDFW received $2 million for five years, and 15 permanent positions, supported by General Fund and TRFRF to implement the new workload requirements mandated by SB 901 (Dodd), Chapter 626, Statues of 2018. The $2 million appropriated in 2019-20 will expire June 30, 2024. This proposal is necessary to support the permanent staffing provided by the 2019-20 appropriation, so that the CDFW may continue to support the prevention of wildfires outlined in the state's Wildfire and Forest Resilience Action Plan, and assist partner agencies in post-fire clean-up and recovery.

Additionally, CDFW requests to move all TRFRF authority scheduled in Program 2605 to Program 2590 to align funding to better support mission level goals.

**Background.** The Wildfire and Forest Resilience Action Plan was created to accelerate efforts to restore the health and resilience of state forests, grasslands, and natural places; improve the fire safety of communities; and sustain the economic vitality of rural forested areas. Implementing the Action Plan is an ongoing effort that will continue for years.

The Action Plan identifies four broad goals which are subdivided into 99 "Key Actions" that, if implemented, will allow California to increase the pace and scale of forest health projects, strengthen protection of communities, manage forests to achieve the state's economic and environmental goals, drive innovation, and measure progress. Program staff support about 25 percent of the Key Actions. For example, Program staff help improve regulatory efficiency by collaborating with interagency policy groups to improve data collection, expedite the Department's Lake or Streambed Alteration Agreements permitting processes, develop guidance documents, and create training for the California Vegetation

Treatment Plan (CalVTP). Additionally, the Program works to improve utility-related wildfire risk through review and collaboration on documents, coordination with partner agencies including OEIS, and consultation on regional utility projects. The Program also collaborates with federal partners to expedite permitting and increase the pace and scale of fuel reduction activities on federal lands. These actions will help the federal government treat 500,000 acres in California and the Task Force considers these treatments necessary to reduce the risk to the state from the threat of catastrophic wildfire.

As a responsible agency, the CDFW issues regulatory authorizations if proposed activities by public or private actors would result in impacts to resources within CDFW's statutory jurisdiction. Regulatory authorizations that CDFW issues include Lake or Streambed Alteration Agreements and Incidental Take Permits. Fish and Game Code Section 1602 requires an entity to notify CDFW prior to commencing any activity that may "substantially divert or obstruct the natural flow of, or substantially change or use any material from the bed, channel, or bank of, any river, stream, or lake…" The Department reviews notifications and determines whether a Lake or Streambed Alteration Agreement is necessary. Fish and Game Code Section 2080.1 requires an incidental take permit for any activity that may result in "take", as defined by State law, of any species protected under California Endangered Species Act.

**Staff Recommendation. Approve as budgeted.**

## Issue 3: Oiled Wildlife Care Network Resources

**Governor's Proposal.** The Governor's budget requests $750,000 Oil Spill Prevention and Administration Fund (OSPAF) in 2024-25 and ongoing for the Oiled Wildlife Care Network (OWCN) to address an increase in operational costs and improve response activities for managing oiled wildlife.

**Background.** The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act established the Office of Spill Prevention and Response program (OSPR) and in turn required OSPR to establish a network of rescue and rehabilitation facilities for oiled wildlife.

The OWCN, in coordination with OSPR, was founded in 1994 and is responsible for providing the best achievable rescue and care for wildlife impacted by oil spills statewide and maintains a state of readiness through: 1) retaining appropriate member organizations in strategic locations within the state; 2) training volunteers and member organizations; 3) equipment staging; 4) research on oiled wildlife rehabilitation methods; 5) maintaining wildlife hazing teams; and 6) attending industry drills and exercises in coordination with OSPR.

The OWCN is comprised of more than 40 member organizations, and includes over 1,300 trained responders, and specialized equipment and facilities throughout the state. The OWCN has responded to more than 75 spills throughout California and cared for more than 10,000 oiled birds, mammals, and reptiles/amphibians.

The Oiled Wildlife Care Network (OWCN)'s current budget of $2.5 million is not able to support the increased costs of the program. Previous increases in the OWCN budget were directly related to increases in programmatic scope requested by the state. In 2008, the OWCN budget increased from $1.5 million to $2 million when proactive recovery was added to the mission. In 2014, the budget increased from $2 million to $2.5 million when statewide coverage was added. Over the past 15 years, necessary increases to costs, and expansion of the network partner organizations, have come at the budgetary expense of other elements of the program, including research support, equipment/supply acquisition, and facility maintenance. Without an increase in the base budget, the OWCN is unlikely to be able to support all programmatic elements within its business plan.

**Staff Recommendation. Approve as budgeted.**

## 3720 COASTAL COMMISSION

### Issue 4: Essential Accounting, Business Services, and Operational Resources

**Governor's Proposal.** The Governor's budget requests $1.133 million in ongoing funding from the Coastal Act Services Fund (CASF) to support operational costs and three previously authorized positions in the Accounting Unit and the Fiscal & Business Services Unit.

**Background.** The temporary funding provided to the Commission from 2017 through 2023 has been critical to maintaining facilities and operations, including to address increased costs of records management, needs identified in the OSAE Evaluation, and increased complexity of the Commission's budgets and accounting functions. There are adequate funds in the CASF to maintain this funding for ongoing essential operating expenses for facilities and archival/storage costs and to fund the existing three positions on an ongoing basis.

CASF revenue comes from Coastal Commission permit fees, which, pursuant to Commission regulations, increase each year according to inflation. Thus, the Commission expects the fund balance to increase over time and provide sufficient funding to sustain this request on an ongoing basis. It is critical that the Commission have permanent ongoing funding authorized for these operational and staff expenses beginning in 2024-25.

The California Coastal Commission requests $1,133,000 in ongoing funding from the Coastal Act Services Fund (CASF) to support operational costs and three previously authorized positions in the Accounting Unit and the Fiscal & Business Services Unit.
The 2017 Budget Act authorized two temporary appropriations from the CASF. First, it authorized $637,000 for two years to cover increased operational costs for facilities and the Department of General Services (DGS) State Records Center (SRC) archival and data storage costs, which have both been increasing for years. In addition, it provided $122,000 per year, for two years, for an Associate Governmental Program Analyst position for critical business services and accounting functions to address and implement recommendations of the Coastal Commission's 2015-16 non-audit evaluation conducted by the Department of Finance, Office of State Audits and Evaluations (OSAE Evaluation). These 2017 appropriations were temporary due to uncertainty about the CASF fund condition at that time.

Subsequently, the 2019 and 2021 Budget Acts included extensions of these appropriations, and the 2021 Budget Act also authorized one Senior Accounting Officer (Specialist) in the Accounting Unit and one Staff Services Analyst (General) in the Fiscal & Business Services Unit to more fully address the OSAE Evaluation as well as increased workload in these units.

The 2021 reappropriations will expire at the end of the 2023-24 fiscal year, resulting in a loss of critical resources that are necessary to run the Commission's facilities and administrative functions. As a small department, the Commission relies on a small Accounting and Fiscal & Business Services staff to handle multiple duties. As such, the managers over these units are working managers that are responsible for developing and administering the accounting operations and the fiscal & business services operations, respectively. The Accounting Unit oversees all billing, payments, receipts, monthly reconciliation, fiscal year-end close, grant drawdowns, and all work with the State Controller's office and the State Treasurer's Office. The Fiscal & Business Services Unit oversees budgeting, procurement, contract and grant management, facilities and leases, travel coordination, equipment inventory, and fleet management. The workload in these units is ongoing and requires ongoing funding to sustain the Commission's existing service levels.

**Staff Recommendation. Approve as budgeted.**

## 3860 DEPARTMENT WATER RESOURCES (DWR)

**Issue 5: Central Valley Flood Protection Board (CVFPB) Encroachment Inspections for Middle Mile Broadband Network**

**Governor's Proposal.** The Governor's budget requests $1.566 million in reimbursement authority for three years to address increased inspection needs for the California Department of Technology's Middle Mile Broadband Network (MMBN) construction activities, initiated through Excecutive Order N-73-20.

Due to the MMBN installation project, the number of encroachment inspections needed throughout the Central Valley will double for 2.5 years starting in 2025. CVFPB does not currently have adequate resources to handle this additional workload. Failure to inspect encroachments during construction can lead to deficiencies in the levees and flood control systems for which the state is responsible.

This proposal is intended to aid in adequate construction oversight of the MMBN projects which traverse Adopted Plans of Flood Control within CVFPB's jurisdiction. Any encroachment construction inspection, whether it is permitted normally or as part of the MMBN initiative, is effectively tracked and concluded with a Construction Closeout Report. These reports are available upon request and will be reported to CVFPB, and through public presentations as requested.

**Background.** Current funding levels do not allow for inspectors to be physically on site for all projects permitted by CVFPB. Instead, they must rely on reporting from the permittees for certain lower risk project sites, which can result in gaps in records and required reporting. The large upcoming increase in construction inspections because of the MMBN, and the increasing number of routine inspections that will be due in the coming years will likely exacerbate this problem. Through a 2008 MOU with DWR, the CVFPB can utilize DWR inspection staff to cover only approximately 30-40 of the approximately 140 total construction inspections per year.

DWR will not be increasing staff to cover the increased number of required inspections, which leaves the CVFPB staff to cover the difference. By not being able to adequately inspect these projects, non-compliant encroachments may not be identified or corrected as needed for both the integrity of flood control system and the compliance to US Army Corps of Engineers (USACE) levee inspections. As a result, more levee systems could fail to provide adequate flood protection and will become ineligible for USACE Public Law (PL) 84-99 rehabilitation program, placing the financial burden of repairs and maintenance of flood damaged sites on the state, and ultimately increasing the state's liability for damages to public and private property in the event of a flood system failure.

**Staff Recommendation. Approve as budgeted.**

## Issue 6: Genetic Monitoring Program Support

**Governor's Proposal.** The Governor's budget requests two permanent positions in the Genetic Monitoring Program (GeM) to be funded ($200,000 ongoing) by the State Water Project (SWP) funds. DWR's request to staff the GeM program.

The requested positions are intended to allow DWR to meet its compliance obligations to ensure continued operations of the SWP. Measures to ensure progress towards fulfillment Biological Opinions (BiOps) and Incidental Take Permit (ITP) compliance support include: preparation and implementation of genetic protocols; technical reports and peer-reviewed publications describing accuracy, sensitivity, efficiency, and management implications of the approaches; expedited collection, processing, and downstream analysis of genetic samples; development of innovative genetic approaches that increases the efficiency, accuracy, or sensitivity of genetic results; routine open access genetic data and results reporting to the public; increased engagement and consulting across DWR and with vested communities for the continued development of genetic approaches for the SWP projects.

DWR, along with other agency partners, intend to use this information to support species recovery, conduct adaptive management decision-making, raise community awareness about the status of State and federally listed species, and increase collaborative science opportunities with disadvantaged communities. These positions will participate in a public educational outreach program to locally disadvantaged communities currently underway in the Delta by helping to plan and implement scientific teaching modules for K-12 students that engages students on water education curricula and careers in science. This outreach program supports DWR's Racial Equity Action Plan (REAP).

**Background.** The 2019 US Fish and Wildlife Service BiOp, 2019 National Marine Fisheries Service BiOp for Long Term Operations of the SWP and the 2020 CDFW ITP charged DWR with mandates that require genetic approaches for the continued operation of the SWP.

The Division of Integrated Science and Engineering (DISE) is responsible for the implementation of the science and monitoring in the BiOps and ITP conditions. Further, there is growing demand to obtain genetic data faster without compromising accuracy to ensure that water exports are not limited by delays or species identification errors and that scientifically rigorous results are driving management decisions.

In response to these requirements and the increased need for rapid genetic information, DWR has initiated GeM and set up a genetics laboratory; however no new staff have been allocated and only one employee has been redirected to perform newly required work. Other DISE staff cannot be redirected because they are fully committed to existing mandated work and redirection will risk other programs' delivery. Full implementation of the BiOps and ITP therefore cannot be achieved with existing resources. Staffing the GeM program is intended to enable DWR to fulfill existing SWP mandates as well as use the best available science to answer critically important SWP operation questions timely and accurately. Genetic monitoring positions allow DISE to be innovative, adaptive, and resilient to meet existing commitments and new challenges from climate change.

***GeM Program.*** The GeM lab conducts genetic monitoring and molecular ecological studies using environmental DNA (eDNA). As part of the SWP and Interagency Ecological Program (IEP), GeM research will prioritize the needs identified within the ITP, BiOps, and water rights decisions for the SWP. The lab will use technology and collaborative partnerships to advance management decision-making critical to the state's water supply operation and planning.

***eDNA.*** eDNA describes the genetic material that an organism sheds or excretes into its environment (e.g., skin cells, hair, mucus, blood, gametes, waste products, pollen, leaves, final spores). Once released, eDNA can be collected and extracted from environmental samples such as soil, sediment, water, snow or air. Once extracted, eDNA can be analyzed by several genetic methods. Depending on the method used, researchers can choose to target a single species (e.g. invasive or endangered), a particular community (e.g., fishes), or multiple communities (e.g., all animals).

**Staff Recommendation. Approve as budgeted.**

## Issue 7: State Water Project (SWP) Regulatory Compliance Positions

**Governor's Proposal.** The Governor's budget requests authority for three full-time positions in the North Central Region Office (NCRO) to replace three temporary positions in NCRO to continue work activities under the Surface Water Quality Monitoring and Analysis program mandated by SWP regulatory compliance.

These positions will be fully supported by SWP funding and will conduct complex real-time surface water quality monitoring and analysis. The data and analysis will provide critical support to SWP operation and decision making.

Continuity and stability of talented and capable permanent staff is needed to respond to meet current and increasing demands for reliable real-time water quality data planning, data collection, analysis, and reporting required by SWP regulatory agencies and our funding partners. The complex water quality work performed by NCRO water quality staff on behalf of SWP partners continues to be essential for real-time and long-term adaptive management of California water resources by SWP operators (DWR), local water agencies, agriculture, and the scientific community at large, to ensure continued SWP operations stability, emergency response, and climate resilience.

**Staff Recommendation. Approve as budgeted.**

# DISCUSSION

## 3860 DEPARTMENT WATER RESOURCES (DWR)

**Issue 8: Diablo Canyon Loan**

**Governor's Proposal.** The Governor's Budget includes a transfer of $400 million from the General Fund to the Diablo Canyon Extension Fund. Under this proposal, Department of Water Resources (DWR) will loan this amount to Pacific Gas & Electric (PG&E) to extend operations of the Diablo Canyon power plant facility.

**Background.**

*SB 846.* SB 846 (Dodd, Chapter 239, Statutes of 2022) included intent language that states the following: "It is the intent of the Legislature to make available a one billion four hundred million dollar ($1,400,000,000) loan from the General Fund to the Department of Water Resources for the purpose of being loaned to the borrower for extending operations of the Diablo Canyon powerplant facility, to dates that shall be no later than November 1, 2029, for Unit 1, and no later than November 1, 2030, for Unit 2. The Legislature intends to transfer an initial six hundred million dollars ($600,000,000) from the General Fund to the department. It is the intent of the Legislature that the remaining eight hundred million dollars ($800,000,000) shall require future legislative authorization before the transfer of funds." This loan is intended to be primarily repaid with federal funds and excess operating revenues in the final year of operations.

SB 846 also included language regarding funding to be available in the following years, including:

- $5,000,000 General Fund for the California Energy Commission (CEC) and Public Utilities Commission (CPUC) for administrative programmatic workload, upon approval and order of the Director of Finance.
- $100,000,000 in 2023-24, $400,000,000 in 2024-25, and $500,000,000 in 2025-26 to support a Clean Energy Reliability Investment Plan, developed by CEC, in consultation with CPUC and the State Air Resources Board) for programs and projects that accelerate the deployment of clean energy resources, support demand response, assist ratepayers, and increase energy reliability.
- $10,000,000 in 2023-24 and $150,000,000 in 2024-25 to support a Land Conservation and Economic Development Plan developed by the Natural Resources Agency, in consultation with Labor and Workforce Development Agency and the Governor's Office of Business and Economic Development, that supports environmental enhancements and access of Diablo Canyon power plant lands and local economic development in a manner that is consistent with existing decommissioning efforts.

*Prior Year Budgets.* The 2022 Budget Act included $600 million for the first installment of the loan to PG&E. The 2023 Budget Act included $400 million for the second installment of the loan. In addition, the 2023 Budget included $100 million for the Clean Energy Reliability Investment Plan—specifically, $33 million for community renewable energy, $32 million for central procurement function, $19 million for Demand Side Grid Support Program, $11 million for permitting and interconnection, $4 million for transmission studies, and $1 million for administrative costs. The 2023 Budget Act also included $10 million for economic development.

*2024 Governor's Budget.* The Governor proposes to include the final $400 million for the Diablo Canyon loan in the 2024-25 budget. However, it is important to note that while the Governor's Budget maintains a General Fund loan to PG&E to extend the operations of the Diablo Canyon power plant, the Governor proposes to delay $150,000,000 to support the Land Conservation and Economic Development Plan as well as $400,000,000 for the Clean Energy Reliability Investment Plan (CERIP), originally intended for 2024-25. This is primarily due to the condition of the General Fund. As part of Early Action, the Administration and the Legislature agreed to delay $110,000,000 for the Land Conservation and Economic Development Plan and $100,000,000 for CERIP from 2024-25.

*Status of Implementation.* DWR executed a loan agreement with PG&E to facilitate the extension of the DCPP operating period on October 18, 2022. This agreement includes the terms of the loan, such as use of funds, records, disbursements, repayment, as well as forgiveness. DWR then submitted a written expenditure plan to Finance and the Joint Legislative Budget Committee (JLBC) on November 7, 2023. Based on the expenditure plan, DWR states that PG&E fully committed the initial $350 million authorization in October 2023. (In addition, DWR received $17.5 million for their administrative costs, with regards to this loan.) Soon after, Finance received a request for the release of additional funding in the amount of $232.5 million from the DWR for the extension of the Diablo Canyon Power Plant (DCPP). On November 6, 2023, Finance provided a letter to JLBC notifying the approval of this additional $232.5 million General Fund loan.

On January 17, 2024, the US Department of Energy (DOE) announced the signing of the credit award and payment agreement with PG&E to finalize terms for $1.1 billion in credit payments via the Civil Nuclear Credit (CNC) Program for the Diablo Canyon Power Plant. The credits are slated to be paid in installments for a four-year period of performance from 2023 through 2026, with the amount of the annual payment to be adjusted based on a number of factors, including actual costs incurred to extend the operation of the Diablo Canyon Power Plant. The first payment of awards is slated for 2025 based on the operation of the Diablo Canyon Power Plant in 2023 and 2024.

On February 5, 2024 Finance provided another letter to JLBC, stating that Finance received a notification of the need for additional funding in the amount of $400 million from the DWR for the purpose of continuing to support the extension of the DCCP. Finance concurred, and notified JLBC of its impending approval. DWR estimates that as of January 2024, total PG&E estimated loan requirements, including actual expenditures, performance-based disbursements, and commitments, has exceeded the initial $600 million allocation.

*Legislative Concerns.* In response to the February 5, 2024 letter, the JLBC sent a letter to Department on Finance on March 6, 2024. The letter raised several concerns, including:

- **Use of General Fund for Shareholder Benefit.** The terms of the agreement require DWR to provide PG&E with up to $300 million in "performance-based disbursements." According to the agreement, the proceeds of the disbursements cannot be treated as shareholder profits, used to pay any dividends or other business activities prohibited by SB 846. However, the agreement may allow PG&E to use funds to invest in rate base, pay fees and penalties, or cover any liability that would otherwise be the obligation of the company's shareholders. The letter asserts that this allows PG&E to use these funds to pay penalties related to wildfires or other civil and criminal law penalties or invest in rate base which could be interchangeable with shareholder benefits.

- **Loan Forgiveness.** In January, the DOE finalized approval of a $1.1 billion credit award and payment agreement with PG&E -- $300 million less than the General Fund loan -- that will be used to repay a portion of the state loan. The loan agreement states that the only source of funds to satisfy any PG&E repayment obligation under this agreement shall be the DOE funds, other federal funds and excess revenues from power sales in 2030. DWR does not know whether the DOE will permit the costs associated with Performance-Based Payments to be reimbursed under the award. The agreement goes on to state, "All other Disbursements and Performance-Based Disbursements received by PG&E under this Agreement shall be forgiven." The letter asserts that this allows DWR to forgive some portion of the loan. The JLBC noted concern that there are no criteria for determining the amount or appropriateness of the loan forgiveness.

- **Loan Timing.** The letter noted that it is unclear at this time, why PG&E needs the additional funds when the first tranche of funding ($600 million) was approved in December. Before the final $800 million is approved, the JLBC requested to have PG&E submit a more detailed spending plan that shows the specific expenditures it must make before the company has access to the DOE funds. This could spread out the loan payments over a longer period of time, freeing up some desperately needed General Fund in 2024-25. The letter noted that this aligns with several budget commitments from SB 846, which have since been proposed to be delayed due to the budget condition. This is to ensure that funds will not be loaned to PG&E indefinitely at the expense of other important state programs.

As such, JLBC requested an additional 15 days to review the original letter, and requested information, including a full accounting of the performance-based disbursements; how DWR and CPUC is enforcing Public Resources Code section 25548.3; a more detailed spending plan of the loan; justification for the current need for the $400 million loan; DWR's estimate of the loan amount that will be forgiven; detailed information about the $1.1 billion credit award and payment agreement between DOE and PG&E; and a specific timeline for the loan repayment. JLBC requested responses within seven days.

On March 13, 2024, the Department of Finance provided a response letter, which provided responses to the requested information. Finance reiterated performance-based disbursements will not be treated as shareholder profits or paid out as dividends, and that additional funds are needed "to align required Nuclear Regulatory Commission inspections, refueling, and other critical work with regular maintenance schedules at the power plant." PG&E expects expenditures and performance-based disbursements to exceed $1 billion in the latter half of 2024. Finance could not confirm how much of the General Fund will be repaid and a specific timeline for loan repayment, because (1) they do not know how much of the actual loan will be disbursed to PG&E and (2) how much federal funds and excess operating revenues in the final year of operations will be available. Finance could not provide any detail regarding the federal fund award agreement, as it was not yet publicly available at that time.

On March 20, 2024, the JLBC provided a final response letter, reiterating concerns about the lack of transparency regarding the federal funding, performance-based disbursements, and loan repayment and forgiveness. The letter specifically questions the need for the final General Fund loan of $400 million—and that any additional appropriation will need to include stringent accountability measures and reporting requirements, specifically JLBC approval of all funding disbursements to PG&E.

**Staff Comment.** The Legislature faces a very difficult challenge to pass a balanced budget for 2024-25. As such, the Legislature will need to maximize the use of the General Fund, and prioritize funding for the most important programs. The Legislature approved SB 846 with the understanding that the General Fund loan would be repaid, primarily with federal funds. Although PG&E is expected to receive $1.1 billion from US DOE to continue the operations of Diablo Canyon, it is currently unclear when PG&E will repay DWR, why PG&E requires additional funds at this time, and whether DWR will forgive any part of the loan. DWR has provided very little information regarding the timeline for repayment and loan forgiveness, calling into question whether this General Fund loan will be repaid in full, and at what time. Given this lack of transparency, the Legislature will want to consider whether this significant use of General Fund—$400 million—is a priority when it is considering reductions and delays of many other programs.

**Staff Recommendation:** Hold Open.

## Issue 9: Flood Management Proposals

**Governor's Proposals.** According to the LAO:

The Governor's budget proposes $95.1 million in 2024-25 for flood-related projects and activities. Of the total, $93.9 million is on a one-time basis from the General Fund, while $1.2 million is ongoing and supported by the Water Rights Fund.

**Governor's 2024-25 Flood Management Proposals**

General Fund Unless Otherwise Noted (In Millions)

| Activity/Program | Department | Funding |
|---|---|---|
| Urban Flood Risk Reduction projects | DWR | $33.0[a] |
| Central Valley Systemwide Flood Risk Reduction projects | DWR | 31.3 |
| Repairing Delta levees | DWR | 13.5[b] |
| Repairing infrastructure in Mendota Wildlife Area | CDFW | 13.1[b] |
| State cost share for federally supported levee repairs | DWR | 3.0[b] |
| Staffing to expedite groundwater recharge permits | SWRCB | 1.2[c] |
| **Total** | | **$95.1** |

[a] Includes $10 million for state operations costs.
[b] Proposed for early action.
[c] Ongoing amount from the Water Rights Fund.

DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and SWRCB = State Water Resources Control Board.

*Source: LAO*

***DWR: Urban Flood Risk Reduction Projects ($33 Million).*** The Governor's budget proposes $33 million from the General Fund in 2024-25 for urban flood risk reduction projects carried out in collaboration with USACE. Of the total, $23 million is the required state share of cost and $10 million is for associated state operations costs. The specific projects, all of which are part of the SPFC, are displayed in the top of the figure below.

***DWR: Central Valley Systemwide Flood Risk Reduction Multi-Benefit Projects ($31.3 Million).*** The Governor's budget proposes $31.3 million from the General Fund in 2024-25 through the Central Valley Systemwide Flood Risk Reduction Program for multi-benefit projects that also are part of the SPFC. These particular projects—also displayed in the figure below—are state-funded, although one project likely can also draw down $10 million in federal funds from the Bureau of Reclamation.

**Flood Projects Supported by Proposed 2024-25 Funding**

General Fund Unless Otherwise Noted (In Millions)

| Project | Proposed One-Time Funding | Estimated Total Project Cost[a] | Estimated Future State Funding Need[b] | Estimated Completion Date |
|---|---|---|---|---|
| **Urban Flood Risk Reduction[c]** | **$23** | **$4,893** | **$378** | |
| Folsom Dam Raise | $1 | $476 | — | 2028 |
| American River Common Features | 1 | 1,230 | $60 | 2027 |
| West Sacramento Project | 6 | 1,140 | 64 | 2034 |
| Lower Cache Creek Project | 1 | 323 | 77 | 2036 |
| Lower San Joaquin Project | 12 | 1,400 | 163 | 2038 |
| Marysville Ring Levee Project | 1 | 214 | 13 | 2029 |
| Yolo Bypass Comprehensive Study | 1 | 8 | 1 | 2040 |
| Lathrop Manteca Feasibility Study | 1 | 8 | — | 2038 |
| Smith Canal Gate Project[d] | 1 | 94 | 2 | 2024 |
| **Central Valley Systemwide Flood Risk Reduction** | **$31** | **$82** | **—** | |
| Yolo Bypass Fix-in-Place | $11 | $51 | — | 2027 |
| Upper Sacramento River Basin Projects (Kopta Slough)[e] | 12 | 22 | — | 2026 |
| Crows Landing Floodplain Restoration | 9 | 9 | — | 2027 |
| **Totals** | **$54** | **$4,974** | **$378** | |

[a] Includes state, federal, and local shares of cost.
[b] Source for any future state funding has not yet been determined.
[c] U.S. Army Corps of Engineers (USACE) projects. Funding reflects state's share of cost required by federal government to proceed with projects.
[d] Project led by the state, but spending could be eligible for a credit toward the state share of cost on a future USACE project.
[e] The Kopta Slough project likely will receive $10 million in federal funds from the Bureau of Reclamation.

Note: Totals may not add due to rounding.

*Source: LAO*

***Flood Recovery Activities From 2023 Storms ($29.6 Million Proposed as Early Action).*** Although the state made several disaster-response emergency allocations across numerous departments throughout 2023 in response to the storms—including a combined $115 million to DWR, SWRCB, and the California Department of Fish and Wildlife (CDFW)—entities across the state have incurred additional recovery costs. The Governor's budget proposed $29.6 million to cover some of these additional costs and requests that the Legislature take early action to provide these funds in the current year. Specifically, the request included:

- *DWR: Repair Delta Levees to Protect State-Owned Land ($13.5 Million).* Funding would support levee repairs on four Delta islands owned by DWR: Meins Landing ($1.4 million), Sherman Island ($715,000), Twitchell Island ($310,000), and Dutch Slough ($1.2 million). It also would fund levee rehabilitation on McCormack Williamson Tract ($7.6 million) and Grizzly Slough ($1.6 million). Another $677,000 would support associated state operations costs. DWR bears financial responsibility for these levees as the property owner.

- *DWR: Provide State Share of Cost for Federally Supported Levee Repairs ($3 Million).* Through its levee rehabilitation program, USACE is helping fund repairs in the Sacramento and San Joaquin River Basins. While the state provided an initial $10 million towards its share of cost in 2023, it is required to pay an additional $3 million to draw down full federal support.

- *CDFW: Repair Infrastructure at Mendota Wildlife Area ($13.1 Million).* CDFW manages the state-owned Mendota Wildlife Area in Fresno County. The 2023 storms caused damage to infrastructure, including to the only bridge spanning the Fresno Slough. The administration indicates that expenses related to the repair and replacement of infrastructure may ultimately be eligible for FEMA reimbursement.

*[The issues proposed as early action were approved last week. These actions are included in Discussion Item 12 for purposes of context of the administration's overall approach to flood control in the Governor's budget.]*

***SWRCB: Staffing to Expedite Groundwater Recharge Permits ($1.2 Million Ongoing).*** The Governor's budget proposes $1.2 million in ongoing funding from the Water Rights Fund and five new positions at SWRCB to expedite groundwater recharge permits. Four positions would handle permitting, while one position would support administrative hearings related to unresolved protests of water rights permit applications. *[This proposal was heard in this subcommittee on March 14, 2024, with the subcommittee voting to approve as budgeted. This proposal is being included in Discussion Issue 12 for purposes of context of the administration's overall approach to flood control in the Governor's budget.]*

**Background.** According to the LAO:

**Managing Flood Risk in California.** ***California Faces Significant and Increasing Flood Risk.*** Estimates from a 2013 comprehensive statewide report, California's Flood Future, suggested that 7.3 million people (one-in-five Californians), structures valued at $575 billion, and crops valued at $7.5 billion were located in areas that had at least a 1-in-500 probability of flooding in any given year. Flood risks are being magnified by the impacts of climate change, which are leading to the state experiencing more intense storms with significant rainfall. According to a 2022 study by scientists at the University of California, Los Angeles, climate change already has doubled the likelihood of an extreme storm bringing catastrophic flooding in California, and this risk will continue to increase. Moreover, recent data reported in the state's 2022 Central Valley Flood Protection Plan (CVFPP) estimate that more than 1.3 million people and structures valued at more than $223 billion in the state's Central Valley region are at risk from flooding and that without adequate investments in flood systems, both annual deaths and economic damages could more than double in the Sacramento River Basin and quadruple in the San Joaquin River Basin over the next 50 years. Recent storms in 2023 and early 2024 highlighted the challenges that communities across the state face from extreme flooding.

***Many Levees Are at Risk of Failing.*** Communities across the Central Valley and Sacramento-San Joaquin Delta regions rely on more than 2,000 miles of levees for flood protection. In addition to flood protection, levees located in the Delta region are essential components of the state and federal water systems that convey water from the northern part of the state to Central and Southern California. As such, levee failures could put both public health and safety as well as water supplies at risk. In the Delta, local reclamation districts have identified 500 miles on 75 Delta islands as needing improvement. Moreover, nearly 90 percent of Central Valley levee systems currently fall short of federal performance standards, increasing the risk that they might fail. The Delta Stewardship Council, a state department charged with helping to manage the state's multiple goals in the Delta, recently published a risk-based prioritization of Delta levees in order to guide the state's investments. This Delta Levees Investment Strategy assessed each island and tract located within the Delta based on flood risk (to people, property, and other state interests) and identified 34 out of 142 as having a "very high-priority" rating.

***Flood Management in the Central Valley Is a Core State Responsibility.*** California gave assurances to the federal government that it would oversee and maintain the State Plan of Flood Control (SPFC) along the main stems and certain tributaries of the Sacramento and San Joaquin Rivers, including parts of the Delta. The SPFC includes 1,600 miles of levees, four dams, and seven flood bypasses. DWR is the state's lead agency in flood-related activities, while the CVFPB (an independent body housed administratively within DWR) has responsibility for overseeing the SPFC on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local government entities (primarily local flood, levee, and reclamation districts) to handle regular operations and maintenance responsibilities. A court decision in 2003 found that the state ultimately is financially responsible for the failure of SPFC facilities, even when they have been maintained by local entities. In addition, although only 380 miles of the 1,100 miles of levees in the Delta are part of the SPFC, the state provides some funding to local agencies to support both SPFC and non-SPFC Delta levees in large part because of their important role in the state's water conveyance system.

***DWR's Various Flood Management Programs Fall Into Two Main Categories.*** DWR manages numerous different programs supporting a wide variety of flood projects, depending on the project's geographic location, its main purpose, and what entity bears primary financial responsibility and liability. (Most flood projects are collaborative efforts with local governments, property owners, and/or the federal government.) In general, however, these various programs and projects can be categorized as follows:

- *Protecting Public Health and Safety, Property, and Assets.* These flood projects have the protection of people, property, and other infrastructure as their primary purpose. For example, the Urban Flood Risk Reduction Program supports projects that protect urban areas within the SPFC. Often these projects use traditional physical infrastructure such as levees, floodwalls, channels, and weirs.

- *Reducing Flood Risk and Improving Habitat and Water Supply Through Multi-Benefit Projects.* Other flood projects provide benefits in addition to flood protection, such as restoration of natural floodplains, ecosystems, and habitats, as well as increasing water supply through groundwater recharge. For example, a flood bypass project might use traditional infrastructure, such as a levee or weir, to redirect water out of a river channel into a large floodplain, thereby both reducing flood risk near the river channel and improving habitat in the floodplain. DWR's Central Valley Systemwide Flood Risk Reduction Program supports multi-benefit projects within the SPFC.

**Funding for Flood Management.** ***Local Funding Comprises Majority of Flood Management Spending.*** Statewide, most activities to protect communities from floods are undertaken and paid for by local agencies. In a 2021 piece, Paying for California's Water System, the Public Policy Institute of California (PPIC) estimated that average annual spending on flood protection statewide between 2016 and 2018 totaled $2.7 billion, with about three-quarters of that generated and spent by local governments. While most local spending is for maintaining and operating flood facilities, the majority of state and federal spending is for capital projects.

***State Historically Has Relied on Bond Funds to Support Flood Projects…*** The PPIC review found that state funding made up about 17 percent of overall flood-related spending in California during the years studied. The state has often supported its flood management programs with general obligation bonds. For example, since 2000, voters have approved five different bonds that included a total of $5.7 billion for flood-related activities. These bonds are repaid over time, with interest, from the General Fund.

***…And Turns to the General Fund, Particularly When Bond Funds Are Not Available.*** Most of the funding available through currently authorized bonds has already been committed or spent. As shown in the figure below, since 2021-22, the state has primarily used the General Fund to pay for flood management on more of a pay-as-you-go basis rather than through longer-term bond financing. In combination, the 2021-22, 2022-23, and 2023-24 budgets included about $1 billion from the General

Fund for flood-related activities (some of it provided through local assistance grants), including for traditional capital projects, multi-benefit projects, levee maintenance, and flood-related planning. In addition, over the past year, the state has incurred additional expenditures for emergency flood response and recovery activities as a result of storms. For example, the 2023-24 budget provided $20 million each for the communities of Planada and Pajaro (which were hit particularly hard by 2023 storms) and $25 million for flood relief for small farmers and agricultural businesses. Some of this emergency relief funding will be reimbursed by the Federal Emergency Management Agency (FEMA).

**Recent State Funding for Flood Management at Department of Water Resources**

(In Millions)

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|---|---|
| Bond funds | $111 | $99 | $150 | $285 | $118 | $15 | $42 |
| General Fund | 2 | 295 | — | 50 | 434 | 289 | 300 |
| **Totals** | **$113** | **$394** | **$150** | **$334** | **$552** | **$304** | **$342** |

*Source: LAO*

***Federal Government Also Undertakes Priority Projects and Supports Flood Emergency Response and Recovery.*** PPIC estimated that federal funds made up about nine percent of total flood funding in the years studied. The federal government supports flood projects in California in two main ways.

- *US Army Corps of Engineers (USACE).* USACE authorizes and undertakes capital flood protection projects when authorized by Congress, generally in partnership with state and local agencies, which are responsible for providing the non-federal share of costs for these projects. When the state has entered a Project Partnership Agreement with USACE, it commits to providing the amount of funding requested by USACE for each phase of the specific project. In addition to constructing projects, USACE inspects federally constructed levees for compliance with federal standards, offers planning and assistance during flood events, provides funding to repair flood-damaged levees, and establishes flood storage and release standards for certain reservoirs.

- *FEMA.* FEMA operates the National Flood Insurance Program, which includes developing flood hazard maps that define flood risk, establishing floodplain management standards, and offering federally backed insurance policies. It also provides coordination, assistance, and funding for responding to and recovering from federally declared flood disasters.

***Federal Funds Will Help Pay For Damage From 2023 Storms.*** The administration expects that FEMA will provide reimbursement for some of the costs the state incurred responding to 2023 storms. For example, DWR indicates it has applied for $9 million in reimbursement from FEMA for flood emergency response work. In addition, USACE allocated $52 million to DWR for repairs to SPFC facilities that are part of USACE's levee rehabilitation program.

***State Plan Estimates That Up to $30 Billion Is Needed Over Next 30 Years for Flood Protection in the Central Valley.*** The most recent update to the CVFPP, adopted in 2022, estimates that over the next 30 years, a total of roughly $25 billion to $30 billion will be needed for both ongoing operations and maintenance as well as capital construction and improvements on the SPFC system. (For ongoing operations and maintenance, this amounts to about $315 million to $390 million annually.) The plan estimates these costs would be shared across the state ($16 billion), federal ($11 billion), and local ($3 billion) governments.

**LAO Assessment.** ***Higher Bar for Considering Approval of New Proposals Given General Fund Condition.*** The Governor's new flood-related proposals would commit the state to General Fund expenditures of $94 million in 2024-25. Importantly, the state currently is experiencing a significant budget problem, where General Fund revenues already are insufficient to fund existing commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor "makes room" for proposed new spending on flood projects by making reductions to funds committed for other programs, including many in the climate and natural resources areas. However, the LAO estimates that the administration's revenue projections are overly optimistic and the budget deficit likely will exceed the level of solutions included in the Governor's proposal, requiring the Legislature and Governor to identify additional actions to balance the budget. Given the serious budget challenges this year, the LAO suggests the Legislature apply a high bar to its review of new spending proposals and be very selective in approving any of them.

***Early Action Repairs Meet That Higher Bar.*** In the LAO's view, the Governor's early action requests meets this high threshold for justifying new spending for three key reasons. First, the state is financially responsible for repairing damage on state-owned land—in the Delta and in the Mendota Wildlife Area—and is liable for levee failure. In addition, the repair to Delta levees provides flood protection to state-owned land and infrastructure. The costs associated with repairs at Mendota Wildlife Area may eventually be reimbursable by FEMA. Second, the state must provide its share of costs to draw down federal levee rehabilitation program support. An additional $3 million is needed for this purpose. Neglecting to provide this funding likely ultimately would result in even higher costs for the state—either to undertake the repairs on its own without federal support or to pay for the damage and recovery costs that might occur if the repairs are not made. Third, approving funding early will allow the repairs to be finished in the spring and summer, ahead of the next rainy season. Waiting to consider these proposals in the regular budget process could delay construction until spring of 2025, increasing risks during the fall and winter.

***Urban Flood Risk Reduction Projects Also Meet That Higher Bar.*** In the LAO's view, the urban flood risk reduction projects (including the state operations activities required to support them) also meet this high threshold for justifying new spending for the reasons described below.

- *Part of State's Core Responsibilities in Central Valley.* The funding would support projects that are part of the SPFC, which the state has the responsibility—and associated liability—to maintain.

- *Provide Critical Public Health and Safety Benefits.* These projects provide flood protection to people, properties, and infrastructure in urban areas, defined as areas with more than 10,000 residents. Given the significant population and assets located in these regions, the fiscal and safety risks of failing to adequately protect against flood damage and levee failures are considerable.

- *Leverage Significant Federal Funding.* Because these projects are conducted in collaboration with USACE, they help to draw down significant federal funding—USACE covers up to 65 percent of a project's cost. If the state fails to provide its cost share this year, USACE would halt the projects due to nonperformance and redirect funding to projects in other states. The administration indicates that, were this to occur, reinstating the projects with USACE would be difficult to impossible.

- *Not Acting Now Would Lead to Higher Costs and Complications Later.* USACE supports high-priority projects for which flood protection benefits outweigh associated costs. (Under federal law, confirming a positive cost-benefit evaluation is a prerequisite for USACE to undertake any flood protection project.) That is, USACE has estimated that the economic toll to recover from flooding in these areas would be more costly than paying for these flood protection projects now. Because of its special responsibility for SPFC facilities in the Central Valley, the state could be liable for resulting repair and recovery costs should the levees fail.

- *Pausing Projects Already Underway Would Be Highly Disruptive.* Nearly all of the proposed funding supports projects that already are underway. Stopping midstream would be disruptive; almost certainly would increase overall project costs; and, given USACE requirements, likely would compromise the ability to finish the projects.

***Several Compelling Reasons for Proceeding With Central Valley Systemwide Projects…*** Although the three projects in the Central Valley systemwide request are located in more rural areas and the direct flood risk to people and property therefore is lower as compared to the urban projects, the LAO also find some compelling reasons for proceeding with these projects.

- *Support Disadvantaged Areas That May Not Otherwise Be Protected.* The three projects are located in economically disadvantaged areas that likely do not have sufficient local revenues (such as from property assessments) to be able to pursue this work without state assistance.

- *All Three Projects Are in Their Final Stages; Pausing Would Cause Disruption and Increase Costs.* The state already has provided funding for the initial stages of these projects and completing them expeditiously therefore would maximize previous state investments. Additionally, one of the projects—Kopta Slough—likely will leverage $10 million in federal funding that the state could have to forgo if it fails to proceed with the project.

- *Reduce Flooding Risk in the Delta.* The Yolo Bypass Fix-in-Place project includes two levee improvement projects located in the Delta. One of the locations has been assigned a risk-based assessment of "very high priority" (the highest level) by the Delta Stewardship Council, with the other rated as "high priority" (the council's middle ranking).

- *Provide Notable Ecosystem and Habitat Benefits.* Each project is designed to provide both flood protection as well as ecosystem and habitat benefits. For example, the Kopta Slough project would restore a river channel and remove rock revetment, ultimately leading to restoration of 170 acres of salmon rearing habitat on the Sacramento River. Similarly, the Crow's Landing project would restore a floodplain and provide 270 acres of salmon habitat in the San Joaquin River basin. These types of projects are key components of the state's strategy to meet its public trust responsibilities of protecting fish and wildlife—which is particularly important given the serious risk of extinction that California's native salmon populations currently face.

***…However, the General Fund Condition Complicates This Decision.*** Despite these potential benefits, the Legislature will need to weigh the trade-offs associated with adding new spending for these Central Valley systemwide projects against its other budget commitments. If the Legislature believes these projects are a top priority and chooses to fund them, it likely will need to make additional reductions to other planned expenditures given the worsening budget picture.

***Funding State's Responsibility for Flood Management Activities Will Be a Recurring Issue.*** Given the state's responsibility for maintaining levees in the Central Valley and the rising flood risks resulting from climate change, the state will continue to face notable recurring costs associated with flood management—and, likely, recovery—in the years to come. As such, the Legislature will need to grapple with how to make room for these types of regular expenditures within its annual budgets. In years when the General Fund is not in a position to support these costs on a pay-as-you-go basis, the Legislature could consider returning to the historical practice of relying on general obligation bond financing. Although such bonds must be repaid (with interest) from the General Fund—increasing the overall cost of completing the project—in the near term, the annual cost of debt service is lower than paying up front for the projects. Another consideration is the timing of when the funds would be available to support projects. Even if the Legislature were to pursue a bond containing flood funding, it would have to wait for a statewide election, the proposal would have to be approved by voters, and the resulting funds would not be available until after the election. (As such, bond funds could not be available at the beginning of the 2024-25 fiscal year to implement the Governor's proposals.)

**LAO Recommendations.** ***Approve $33 Million for Urban Flood Risk Reduction Projects and Associated State Operations.*** The LAO recommends the Legislature approve the proposed funding for these nine projects. This funding would support important activities that help protect public health and safety by lowering risks to flood-prone urban areas. These projects are part of the SPFC, making them a core state responsibility. In addition, funding the projects would allow the state to leverage significant federal funding and avoid incurring additional costs and complications.

***Weigh Central Valley Systemwide Projects Against Other General Fund Priorities.*** While the LAO finds that these three projects also have merit and provide both flood protection and habitat benefits, given the General Fund condition, the LAO recommends the Legislature weigh these benefits against its other budget priorities. If the Legislature chooses to provide $31.3 million for these projects in 2024-25, it likely will need to identify commensurate reductions in other areas to accommodate the spending.

***Develop Longer-Term Approach for Funding Recurring Flood Management Activities.*** Given the state's role in flood management, the significant public safety and economic risks associated with floods, and the state's liability for Central Valley flood facilities that are part of the SPFC, the LAO recommends the Legislature develop a longer-term approach for how to fund recurring flood-related state costs. For example, the Legislature could build some General Fund for these activities into its multiyear plans and baseline budgets. Alternatively—or additionally—the Legislature could consider asking voters to approve a general obligation bond that might support several years of flood projects. While the former approach would have lower costs over time (as there would be no added interest charges), the availability of General Fund resources likely will be subject to revenue fluctuations and such expenditure plans could create budget pressures in certain years. In contrast, the latter approach would cost more overall, would not provide ongoing funding on a long-term basis, would be subject to voter approval, and would not make funding available immediately—however it would provide a source of funding over a shorter-term period that is less affected by downturns in state revenues and has less impact on the near-term General Fund condition.

**Staff Recommendation. Hold open.**

# 3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

## Issue 10: Golden Eagle Conservation

**Governor's Proposal.** The Governor's budget requests one-time funding of $2.4 million from the Fish and Game Preservation Fund - Habitat Restoration and Enhancement Dedicated Account in 2024-25 with an extended encumbrance period through June 30, 2026, and an extended liquidation period through June 30, 2031, to support golden eagle conservation. CDFW seeks to implement priority projects to promote golden eagle conservation and fill in key data gaps. CDFW received $2.4 million of settlement funds due to the take of golden eagles from wind turbine strikes but requires authority to spend the funds.

The proposed resources would allow CDFW to assess and understand the golden eagle populations and develop effective management strategies, partner with key stakeholders and researchers to fill in key data gaps, conduct studies and surveys, evaluate the effectiveness of management practices and deterrents, develop models to assess spatial and temporal collision risk, collect and analyze telemetry data on movement and habitat use, and evaluate ecosystem impacts, and/or acquire habitat.

**Background.** Wind energy, like all energy sources, has impacts to wildlife. Foraging golden eagles are particularly vulnerable to injury and direct mortality from wind turbine strikes. For example, 82 golden eagle fatalities were documented at just three facilities in the Altamont Pass Wind Resource Area between 2011 and 2017. In April 2022, ESI Energy, LLC (ESI) entered into a plea agreement with the United States District Court, District of Wyoming for violations of the Migratory Bird Treaty Act associated with the unpermitted take of bald and golden eagles. As part of that agreement, ESI was required to pay restitution totaling $6.2 million to the relevant state agencies in which any of the 123 eagle fatalities/injuries occurred on a proportionate basis. The greatest take occurred at five facilities in California with the loss of 92 golden eagles. The final settlement amount for California was $2.4 million after the application of a credit for a prior civil agreement with California's Attorney General's Office, four Audubon Chapters (Golden Gate, Ohlone, Mount Diablo, Santa Clara Valley, and Marin), and Californians for Renewable Energy. These funds must be used to benefit golden eagle conservation in California. Golden eagles are designated as a fully protected species per Fish and Game Code Section 3511. Currently, the Department does not have the necessary authority to spend these funds. Under the terms of the final settlement, the funds CDFW received are to benefit golden eagles in California to offset the impacts from wind energy generation, particularly in the Altamont Wind Resource Area.

A recent US Geological Survey study at the Altamont Pass Wind Resource Area indicates that the local golden eagle population is sustained by immigration from other western populations and that there is a greater interconnectedness between populations across North American than previously understood. Changes in golden eagle populations can also have ecosystem-wide impacts. Therefore, a better understanding of how the local population is impacted by wind generation and how that can affect golden eagles across their range is needed to develop effective management strategies. These funds would be used to partner with key stakeholders and researchers to promote golden eagle conservation by filling key data gaps. This could include projects to conduct studies and surveys, evaluate the effectiveness of management practices and deterrents, develop models to assess spatial and temporal collision risk, collect and analyze telemetry data on movement and habitat use, evaluate ecosystem impacts, and/or acquire habitat.

Additionally, SB 147 (Ashby), Chapter 59, Statutes of 2023, authorizes the take of fully protected species for certain infrastructure projects by permit if specified conditions are met.

CDFW may issue golden eagle Incidental Take Permits for renewable energy wind projects. In issuing these permits the department is required to assess impacts, provide conditions to fully mitigate those impacts, condition and approve an adaptive management program, and include conservation measures pursuant to the Natural Communities Conservation Act conservation standard. This proposal is intended to support the needed research to better understand how the local golden eagle population is impacted by wind generation and how that affects golden eagles across their range in order to develop effective management and conservation measures.

**Staff Recommendation. Approve as budgeted.**

# 0540 California Natural Resources Agency (CNRA)
# 3600 Department of Fish and Wildlife
# 3860 Department of Water Resources

## Issue 11: Salton Sea Management Program

**Governor's Proposal.** According to the LAO:

The Governor's budget proposes $65.2 million from the General Fund in 2024-25, $3.3 million from the General Fund in 2025-26, and $3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing for Salton Sea restoration projects and SSMP staffing. The LAO describes the individual components of the proposal below.

***Proposes $60 Million on a One-Time Basis to Initiate Six Projects.*** As shown in the figure below, the Governor proposes $60 million one time from the General Fund to begin work on six projects, including the SCH Expansion project. Depending on the project, activities conducted in 2024-25 would include planning, design, and/or permitting. For one small project, funding would support design and construction. The administration currently estimates the total combined cost for these projects at between $376 million and $453 million. Once completed, these projects would provide up to 8,165 acres of wetlands, dust suppression, vegetation enhancement, and aquatic habitat.

**Governor Proposes $60 Million in 2024-25 to Initiate Six Salton Sea Projects**
(Dollars in Millions)

| | | | | Estimated | | |
|---|---|---|---|---|---|---|
| **Project** | **Purpose** | **Stage** | **Proposed Funding** | **Total Cost** | **Completion Date** | **Acres at Completion** |
| Wister Bird Unit Marsh Bird Habitat | Wetland restoration project | Site preparation and construction | $0.5 | $0.5-$0.6 | 2026 | 160 |
| IID Clubhouse Enhancement | Dust suppression, vegetation enhancement | Design and permitting | 7.0 | 7.0-8.4 | 2026 | 210 |
| SCH Vegetation Enhancement | Wetland restoration, dust suppression, vegetation enhancement | Planning and permitting | 11.5 | 11.5-13.4 | 2027 | 535 |
| San Felipe Fan | Dust suppression, vegetation enhancement | Design | 30.0 | 27.0-35.0 | 2027 | 660 |
| North Lake | Aquatic habitat restoration | Planning | 3.0 | 80.0-96.0 | 2027 | 1,600 |
| SCH Expansion | Aquatic habitat restoration | Design | 8.0 | 250.0-300.0[a] | 2028 | Up to 5,000 |
| **Totals** | | | **$60.0** | **$376.0-$453.0** | | **Up to 8,165** |

[a] The Salton Sea Management Program received $70 million from the federal Bureau of Reclamation in 2023 and has the potential to receive an additional $175 million contingent on Colorado River conservation agreements.

IID = Imperial Irrigation District and SCH = Species Conservation Habitat project.

*Source: LAO*

***Requests New Ongoing Funding and Positions at DWR, CDFW, and CNRA.*** The Governor's budget also requests 18 new positions phased in over two years (nine beginning in 2024-25 and another nine in 2025-26) along with $1.6 million from the General Fund in 2024-25, $3.3 million from the General Fund in 2025-26, and $3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing. (The proposal assumes lithium development will begin generating tax revenue sufficient to support these positions in the out-years.) These positions would be responsible for a variety of activities, including maintenance and operations of completed projects (including upkeep of both infrastructure and habitat), data collection, real estate support, environmental science, and management and administrative functions. The breakdown of funding, positions, and purposes across DWR, CDFW, and CNRA are shown in the figure below.

**Governor Proposes Ongoing Funding and Positions for Salton Sea Management Program**

(Dollars in Thousands)[a]

| | 2024-25 | | 2025-26 and Ongoing | | |
|---|---|---|---|---|---|
| | Funding | Positions | Funding | Positions | Purpose |
| DWR | $719 | 5 | $1,395 | 9 | Four positions for infrastructure-related maintenance and operations of completed projects.<br>Four positions for data collection, administrative, and real estate support. |
| CDFW | 718[b] | 3 | 1,715[c] | 8 | Four positions for habitat-related maintenance and operations of completed projects.<br>Four positions for environmental science, legal, management, and administrative functions. |
| CNRA | 185 | 1 | 185 | 1 | One position for outreach/engagement and grants preparation. |
| **Totals** | **$1,622** | **9** | **$3,295** | **18** | |

[a] Governor proposes to fund positions with General Fund in 2024-25 and 2025-26 and with the Salton Sea Lithium Fund in 2026-27 and thereafter.
[b] Includes $18,000 one time for equipment.
[c] Includes $40,000 one time for equipment and information technology.

DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; and CNRA = California Natural Resources Agency.

*Source: LAO*

***Proposes $3.6 Million One Time for State Cost Share of USACE Study and for Technical Contract.*** The Governor proposes to provide $3 million from the General Fund in 2024-25 for the state's current required payment to support the USACE Imperial Streams Salton Sea and Tributaries Feasibility Study pursuant to an agreement the state made with the federal government regarding this work. In addition, the budget proposes $600,000 on a one-time basis from the General Fund to contract with a company to provide technical support for project planning, environmental and regulatory compliance, and initial project design.

**Background.** According to the LAO:

**Overview of the Salton Sea.** ***History of the Salton Sea.*** The Salton Sea, located in Riverside and Imperial Counties, is California's largest inland lake. It is a terminal lake with no outlet to the ocean. Over the past several thousand years, the Sea has intermittently both filled and dried up in this location. The modern Sea was created in 1905 when a nearby irrigation canal carrying Colorado River water breached and water overflowed into the lakebed for nearly two years. In the subsequent years, agricultural runoff from farms in the Imperial Valley fed the Sea and prevented it from fully drying up. However, over the past several decades, changes in agricultural water use practices by nearby farmers have gradually diminished inflow into the Sea, causing it to slowly shrink. Between the 1940s and 1960s, the Sea was a popular destination for tourism, fishing (the Sea was stocked with sport fish), and water sports. However, due to episodes of flooding, fish die-offs, and some of the other trends described in this report, tourism over recent decades has largely faded away. Many landowners lay claim to the Sea and its surrounding areas, including the Torres Martinez Desert Cahuilla Indians, who have deep roots in the area. Other landowners include the state, Riverside County, Imperial Irrigation District (IID), Coachella Valley Water District (CVWD), the federal Bureau of Land Management, the federal Bureau of Reclamation (Reclamation), and private landowners.

***Sea Is Extremely Saline.*** While the modern Sea started off as a relatively fresh water body in 1905, it is now more than twice as salty as the Pacific Ocean. This is partially due to the high salinity of the agricultural runoff water that has been the Sea's primary source of replenishment for the past century. Additionally, because the Sea has no outlet to the ocean, water that enters the Sea can only depart through evaporation, leaving salts behind. The Sea therefore has and will continue to become increasingly saline over time.

***Sea Provides Important Bird Habitat.*** Despite being a relatively new water body in geologic terms, the Sea has become an important habitat area for a large number of birds. As wetland habitat has been lost to development throughout California and northern Mexico, many bird species have come to rely on the Sea for food, rest, and nesting—particularly during their annual migrations. More than 270 species of birds use the Sea on a regular basis, including many that state and/or federal law have identified as being threatened or endangered. The Salton Sea National Wildlife Refuge—now named for Sonny Bono—was established in 1930 for waterfowl and other migratory birds. Hundreds of thousands of birds use the Sea as a stopover point on their migrations each year.

**Changes Affecting the Salton Sea.** Several changes in recent times have affected the size of the Sea, the quality of the water and habitat, the region around the Sea, and the way that the Sea is managed.

***2003 Colorado River Agreement Reduced Salton Sea Inflow.*** In 2003, the state, the federal government, native tribes, and a number of water districts in the region entered into a series of agreements to address longstanding issues regarding use of Colorado River water. These agreements are known collectively as the Quantification Settlement Agreement (QSA). The QSA included an agreement to transfer up to 300,000 acre-feet of water annually (ramping up over time) from IID—which uses Colorado River water for agricultural irrigation—to three other Southern California water districts (the San Diego County Water Authority [SCDWA], CVWD, and the Metropolitan Water District) for residential uses. (An acre foot is the amount of water that would cover an acre of land at a depth of one foot.) By reducing the amount of water available for agricultural uses in the Imperial Valley, these transfers have had the effect of decreasing the amount of water that runs off fields into the Sea. However, reductions in inflow thus far have been less than what was initially estimated. Specifically, annual inflow to the Sea declined from about 1.2 million acre-feet in 2003 to about 1 million acre-feet in 2022 (whereas previous projections had expected it to drop to between 700,000 and 800,000 acre-feet by that time). Nevertheless, reductions are expected to progress and evaporation consistently outpaces inflows, meaning the Sea will continue to contract.

***2002 SWRCB Order Delayed Impacts of Water Transfers Until 2017.*** Anticipating the potential effects of the QSA, SWRCB ordered delays in the pace of water flow reductions. Specifically, the board issued a water rights order in 2002 requiring that for 15 years, IID had to continue to provide inflow water to the Sea at levels sufficient to maintain the salinity levels that would have existed absent the transfer. This was intended to provide the state time to develop a long-term plan to address the effects of the QSA transfers. That requirement to provide mitigation flows expired at the end of 2017.

***Shrinking Salton Sea Has Significant Negative Impacts on Public Health, Wildlife, and Local Economy.*** The shrinking Salton Sea is exposing dry lakebed, referred to as "playa." The playa is covered in dust containing toxic elements like selenium and arsenic resulting from the agricultural runoff that has fed the Sea. When this dust becomes airborne due to the area's high winds and arid climate, it increases the amount of fine particulate in the air, which in turn can increase the risk of asthma, bronchitis, and other lung diseases for the surrounding residents and workers. The air quality around the Sea is already poor, due to pollution from agricultural activities and the nearby city of Mexicali, Mexico, and the region consistently fails to meet federal air quality standards designed to protect public health. A 2019 study led by researchers at the University of Southern California found that about 22 percent of children in the area suffer from asthma, which is nearly three times the nationwide incidence. The shrinking Sea also impairs wildlife habitats. Specifically, as the Sea evaporates and salinity and other toxic elements become more concentrated, conditions become increasingly inhospitable for the fish upon which migratory birds depend as a source of food. Moreover, a retreating Sea will dry out the established vegetation and wetlands that exist along the edges of the Sea, degrading that habitat for birds as well as the fish—including the endangered desert pupfish—and insects that they eat. In addition, the changing Salton Sea has and will continue to have significant impacts for local residents (beyond the serious public health impacts). These include repeated and sometimes significant fish die-offs and distasteful sulfurous odors when temperatures are high due to the algae and nutrients in the Sea. These conditions have contributed to a decline in recreation and tourism over the past several decades, which has correspondingly depressed home values and limited job opportunities and economic development. The unemployment rate for the region is significantly higher than the statewide average. As the Sea shrinks, former lakeside houses and boat docks become stranded far from the water, further depressing their desirability, recreational utility, and resale value.

***Water Board Stipulated Order Requires Implementation of 10-Year Management Plan.*** Despite 15 years to plan between the QSA in 2003 and the end of the temporary inflow to the Sea in December 2017, the state did not implement any major management projects at the Salton Sea during that time. In 2007, CNRA released a study of eight potential approaches to restoring the Sea and recommended a "preferred alternative" to the Legislature with a corresponding cost of $9 billion. Funding constraints—including `those associated with the severe recession that followed—rendered this plan infeasible. In 2014, frustration with the slow pace of management activities led IID to petition SWRCB to amend its original QSA-related water rights permit and require the state to begin implementing a management plan. This led to the corresponding SWRCB action in 2017 described in the next paragraph. The state adopted—and began funding—a plan for making significant progress on management activities in 2017. Specifically, the state established SSMP—led by CNRA in collaboration with the DWR and CDFW—and published a Phase I: 10-Year Plan to guide state projects at the Sea and address potential public health and environmental effects over the subsequent decade.

In response to the 2014 petition from IID, SWRCB approved a stipulated water rights order in November 2017 that revised the conditions of the permit approval that SWRCB granted for the QSA. Specifically, the order requires the state to meet annual acreage goals included in the Phase 1: 10-Year Plan. These annual goals specify the number of acres on which the state must construct habitat restoration and dust suppression projects. The order also requires that for each year, at least half of the project acres that the state constructs must provide habitat benefits for fish and wildlife; that is, no more than half of annual construction can be solely focused on dust suppression. Every year, SWRCB holds a public meeting by March 31 to hear a progress report on the previous year, including updates on completed projects and the amount of acreage completed, as well as plans for the coming year and funding availability. The order specifies that if the state fails to meet the specified acreage goals in a given year, it must "catch up" the following year and report to SWRCB on how it will address the deficiency. In addition to the SWRCB order, implementation of the Phase 1: 10-Year Plan is supported by an agreement with the federal government. Specifically, CNRA entered into a memorandum of understanding (MOU) with the federal Department of the Interior affirming that the state has the lead role in Salton Sea management efforts, and expressing mutual intent to try to support achievement of the goals in the Phase 1: 10-Year Plan (such as by expediting permitting processes).

**Management of the Salton Sea.** Management of the Sea involves many actors at all levels of government, Native American tribes, and nongovernmental organizations. Below, the LAO describes the various players and focus in on the state and federal roles.

***Many Agencies Have a Role to Play at the Salton Sea.*** Numerous agencies at all levels of government are involved in responding to conditions at the Salton Sea. The principal agencies and their major roles are described in the figure below. As shown, both state and local agencies are implementing activities to address the impacts of changing conditions at the Sea. Many of the local agency responsibilities result from mitigation and environmental permitting requirements associated with the QSA.

## Agencies With Major Responsibilities at the Salton Sea

| Entity | Role |
|---|---|
| **Local** | |
| **Imperial Irrigation District (IID)** | As a party to QSA, transfers up to 300,000 acre-feet per year of its water to SDCWA, CVWD, and Metropolitan Water District (MWD). Helps fund the mitigation projects required by the QSA permits and implements those projects for the QSA JPA. One of the largest landowners in the region. Delivers Colorado River water to irrigate farmland in the Imperial Valley near the Sea. |
| **Coachella Valley Water District (CVWD)** | As a party to QSA, receives up to 100,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and serves as legal counsel for the QSA JPA. Delivers water for irrigation and domestic uses in the Coachella Valley near the Sea. |
| **San Diego County Water Authority (SDCWA)** | As a party to QSA, receives up to 200,000 acre-feet of additional water per year from IID. Helps fund the mitigation projects required by the QSA permits and handles administration and finance for the QSA JPA. |
| **QSA JPA** | JPA including IID, SDCWA, CVWD, MWD, and the state Department of Fish and Wildlife. Administers funding for implementing the mitigation activities required by QSA permits. |
| **Salton Sea Authority** | JPA including IID, CVWD, the Torres Martinez Desert Cahuilla Indians, and Imperial and Riverside counties. Partners with other entities to develop projects to restore the Sea. |
| **State** | |
| **Natural Resources Agency** | Serves as lead agency overseeing and guiding state's Salton Sea activities. Coordinates and negotiates with other local, state, and federal agencies. |
| **Department of Water Resources** | Implements most of the state's restoration projects at the Sea, including engineering and design, contracting, construction, and operations and maintenance. |
| **State Water Resources Control Board** | Responsible for protecting water quality and water rights, including by: issuing permit for QSA water transfers, imposing certain permit conditions (such as provision of mitigation water for 15 years), and requiring that the state construct specified amounts of management projects at the Sea each year. |
| **Department of Fish and Wildlife** | Helps design Salton Sea habitat projects, will develop and implement wildlife monitoring program for constructed habitat. Issues regulatory permits for projects at the Sea as required by state law. Administers Salton Sea Restoration Fund. |
| **Tribal** | |
| **Torres Martinez Desert Cahuilla Indians** | Largest private landowner of property around the Sea, including roughly half of the land under the Sea. Partners with other agencies on restoration projects, including pilot wetland project on tribal land at north end of Sea. |
| **Federal** | |
| **Bureau of Reclamation** | Owns significant amount of land under and around the Sea. |

QSA = Quantification Settlement Agreement and JPA = Joint Powers Authority.

*Source: LAO*

***State Bears Primary Financial Responsibility and Plays Leadership Role.*** As required by the QSA, IID, CVWD, and SDCWA were responsible for contributing some funding to begin to mitigate the effects of the water transfers, and the state has committed to implementing and funding the additional activities necessary to address public health and wildlife impacts. These commitments were codified through several pieces of legislation implementing the QSA, including SB 654 (Machado), Chapter 613, Statutes of 2003, which specified environmental mitigation spending requirements for the QSA agencies. The legislation also stated that "any future actions to restore the Salton Sea will be the sole responsibility of the State of California." Finally, the SWRCB stipulated order from 2017 and subsequent MOU with the US Department of the Interior further solidify the state's lead role in mitigating deleterious impacts of a shrinking Sea. These state responsibilities are focused on responding to public health and wildlife-related impacts. The state carries out this role through the SSMP. (While statute requires the state to consider local economic impacts, it does not assign fiscal responsibility to the state to address any such effects that may result from a shrinking Salton Sea. Addressing such concerns would fall under the jurisdiction of local governments and community organizations.)

***Reclamation and U.S. Army Corps of Engineers (USACE) Involved at the Federal Level.*** At the federal level, the US Department of the Interior—primarily through Reclamation—and USACE play key roles in supporting efforts at the Sea.

- *Reclamation Providing Funding and Other Support to SSMP*. Reclamation owns about 81,000 acres at the Sea (the Bureau of Land Management owns an additional 12,000 acres). Consequently, SSMP regularly collaborates with Reclamation on projects occurring on its land (including securing land access agreements). In addition, Reclamation has provided some funding for projects at the Sea.

- *USACE Conducting National Environmental Protection Act Review*. USACE is the lead agency for the required National Environmental Protection Act environmental assessment process for the Phase 1: 10-Year Plan. USACE released the draft environmental assessment in June 2022. In addition, USACE works with SSMP to secure necessary federal permits for projects.

- *USACE Also Conducting Feasibility Study of Potential Long-Term Restoration Activities.* USACE is leading a long-term feasibility study, the Imperial Streams Salton Sea and Tributaries Feasibility Study, to explore potential long-term ecosystem restoration, flood management, or other land- and water-resource projects. DWR, the Salton Sea Authority, and USACE are sharing the costs of the study. Expected to take three years, the study could lead to future federal financial support from USACE depending on its findings and the viability of potential projects.

**SSMP Progress to Date.** As required by the SWRCB order, SSMP currently is undertaking projects to reduce exposed lakebed, create and enhance habitat and vegetation, and suppress dust. Although these often are discussed as "restoration" projects, they will not restore the Sea to its original conditions. Instead, these projects seek to decrease the potential harmful effects of the water transfers. (As discussed later, the QSA also requires the local water agencies to fund and carry out mitigation projects.) The order also required SSMP to develop a long-range plan for the Sea following Phase 1.

***SSMP Behind in Meeting Acreage Targets.*** As shown in the figure below, to date, SSMP has about 7,600 acres of projects completed or under construction (completed acreage totals less than 2,500). One effort nearing completion is Species Conservation Habitat (SCH), an approximately 4,100-acre project located at the southern end of the Sea that reduces exposed playa and creates habitat and is the state's first large-scale project in the region. Three smaller dust suppression projects nearing completion include approximately 1,700 acres. These efforts seed and plant native vegetation and use grass bales to protect the vegetation from wind-blown dust and soil erosion. Three additional projects totaling 1,022 acres are under construction or about to start construction—a pilot project to create fish habitat, a project to preserve and enhance wetlands, and a project to restore several stranded channels. In addition, SSMP has completed about 755 acres of interim dust suppression projects. Although SWRCB's stipulated order requires the state to meet annual acreage targets, SSMP has missed these targets during the first five years of the Phase 1: 10-Year Plan, as shown in the figure. By the end of 2023, the order required SSMP to have completed a cumulative 11,500 acres, but thus far the state has completed fewer than 2,500 acres.

**Acreage Targets for Habitat and Dust Suppression Projects on Exposed Playa**

| Year | Required Number of Acres Annually[a] | Acres Actually Completed or Under Construction |
|---|---|---|
| 2018 | 500 | – |
| 2019 | 1,300 | – |
| 2020 | 1,700 | 755 |
| 2021 | 3,500 | 1,000-2,000 |
| 2022 | 1,750 | 290 |
| 2023 | 2,750 | 5,400 |
| 2024 | 2,700 | – |
| 2025 | 3,400 | – |
| 2026 | 4,000 | – |
| 2027 | 4,000 | – |
| 2028 | 4,200 | – |
| **Totals** | **29,800** | **~7,600** |

[a] Acreage targets in the Salton Sea Management Program's Phase 1: 10-Year Plan were formalized in the State Water Resources Control Board's 2017 Stipulated Order. The Salton Sea Management Program must construct a cumulative 29,800 acres of projects by December 31, 2028.

*Source: LAO*

***SSMP Is Planning Projects to Cover an Additional 8,165 Acres as Part of Phase 1.*** SSMP is in the final stages of planning, design, and permitting for handful of additional projects (totaling about 8,165 acres) intended to be completed over the 2026 to 2028 time frame. Taken altogether, completed, in-progress, and planned projects total about 15,700 acres, which only gets the state about halfway to the 2028 required target of 29,800 acres. SSMP has not yet formally identified additional projects that it might undertake to achieve the intended objective.

***SSMP Released Draft Long-Range Plan in 2022.*** As required by the SWRCB stipulated order, SSMP developed and released for public comment a long-range plan in December 2022. This plan explores various restoration concepts that could be implemented after 2028 (at completion of the Phase 1: 10-Year Plan), including some that assume importation of water and some that do not.

**Funding for Salton Sea Management Program.** ***Approximately $590 Million Has Been Authorized for State Management Activities.*** As shown in the figure below, a total of nearly $590 million has been authorized for SSMP projects and activities. Most of this funding—$347 million—has come from statewide voter-approved general obligation bonds, while another $101 million has been provided from the General Fund. (Recent state budgets had planned to provide a total of $220 million in General Fund support from 2021-22 through 2023-24, which was then partially scaled back in response the 2023-24 budget problem. Specifically, in the 2023 May Revision the Governor proposed reducing planned funding for the Salton Sea by $169 million to help solve the budget deficit. The Legislature modified the Governor's proposal and the final budget resulted in a $119 million reduction to original plans.) SSMP also receives some funding from local water agencies through the Salton Sea Restoration Fund. Lastly, the state has received federal funding from Reclamation—including, most notably, $70 million in December 2023 from the Inflation Reduction Act specifically to expand the SCH project (the new project is called the SCH Expansion). This federal funding is part of an agreement among Reclamation, the state, IID, and CVWD. The state's receipt of funding was contingent on the two local water districts making voluntary reductions in their use of Colorado River water (additional funding may be provided through

2026, contingent on additional voluntary reductions). Reclamation also provided $2 million directly to the Torres Martinez Desert Cahuilla Indians to support its work on Salton Sea activities.

**Funding for the Salton Sea Management Program**

As of September 20, 2023 (In Millions)

| Source | Authorized | Unspent | Use |
|---|---|---|---|
| **State** | **$448.0** | **$2.1** | |
| Proposition 12 (2000) | $4.8[a] | — | Species Conservation Habitat (SCH) project construction. |
| Proposition 50 (2002) | 32.9[a] | $0.1 | Environmental Impact Report and related studies and planning activities; SCH project construction. |
| Proposition 84 (2006) | 44.2[a] | 2.0 | SCH project planning and design, support for projects (Red Hill Bay, Seawater Marine Habitat Pilot, and Torres-Martinez Wetlands), and staffing and planning activities. |
| Proposition 1 (2014) | 80.0[a] | — | Staffing and project design and SCH project construction. |
| Proposition 68 (2018) | 185.0[a] | — | SCH project construction, habitat and dust suppression projects, North Lake Demonstration Project, and staffing. |
| Revive the Salton Sea Fund (tax check-off box from 2017-2019) | 0.2 | — | Restoration projects and/or maintenance and public awareness and education programs. |
| General Fund | 101.0 | — | SCH project construction, vegetation enhancement projects, project design, and staffing. |
| **Federal** | **$71.8** | **—** | |
| Bureau of Reclamation | $1.8 | — | State planning activities and implementation of dust suppression projects. |
| Bureau of Reclamation | 70.0 | — | Construction and project management of initial SCH Expansion project. |
| **Local** | **$68.5** | **—** | |
| Salton Sea Restoration Fund | $68.5 | —[b] | CDFW staffing, wildlife surveys, monitoring, CEQA review, and permit issuance. |
| **Totals** | **$588.2[c]** | **$2.1** | |

[a] Authorized bond funds do not include state debt service costs for interest.

[b] $68.5 million is the total amount that IID, CVWD, and SDCWA will provide by 2047 (through annual payments of approximately $1.58 million).

[c] Does not include annual General Fund allocations of $425,000 and annual reimbursements from DWR of $316,000 to support positions at CNRA and CDFW.

CDFW = California Department of Fish and Wildlife; CEQA = California Environmental Quality Act; IID = Imperial Irrigation District; CVWD = Coachella Valley Water District; SDCWA = San Diego County Water Authority; DWR = Department of Water Resources; and CNRA = California Natural Resources Agency.

*Source: LAO*

***Nearly All Existing SSMP Funds Have Been Spent or Committed.*** The administration indicates that nearly all authorized funding for SSMP displayed in the figure has been spent or committed. This means that new, additional funding will be required for SSMP to conduct maintenance activities on recently completed projects and to pursue planning, design, and construction of additional projects.

***New Lithium Extraction Tax Expected to Provide Revenues for SSMP.*** A new source of funding that is expected to become available to support SSMP projects in the coming years results from a recently approved tax on lithium extraction. The Salton Sea region is rich in geothermal resources and currently is home to a number of facilities that produce and sell geothermal energy. Businesses that own or plan to build such facilities have been developing methods to extract lithium from the brine. SB 125 (Committee on Budget and Fiscal Review), Chapter 63, Statues of 2022, levied a new state excise tax on this lithium extraction as of January 2023. The tax rate ranges from $400 to $800 per metric ton of lithium carbonate equivalent that a producer extracts, adjusted annually for inflation. A total of 80 percent of the revenue from this tax will go to the counties where lithium extraction occurs, while the other 20 percent will go to the new Salton Sea Lithium Fund to support restoration projects and grants for community engagement, public amenity, capital improvement, or community-benefit projects in the area. However, no lithium extraction activities have yet begun in the region, and as such, no tax revenue has yet been generated to support the SSMP or local communities.

***Reclamation Committed to Provide $175 Million More in Federal Funding if Local Agencies Meet Water Reduction Conditions.*** In addition to the $70 million Reclamation has already provided to support SSMP projects, the state is eligible to receive an additional $175 million more through 2026. However, the remaining funds are contingent on additional voluntary reductions of Colorado River water use by IID and CVWD. Funding must be used to support the SCH Expansion project, which will restore up to 5,000 acres of playa upon completion.

***USACE Study Could Lead to Future Federal Funding if It Identifies Long-Term Restoration Options.*** The goal of the feasibility study being led by USACE is to identify projects for long-term ecosystem restoration at the Salton Sea. The draft feasibility report is expected in June of 2024 and will be finalized in 2025. Should viable projects for long-term ecosystem improvements be identified in the study and subsequently approved by USACE (and funded by Congress), the state could receive up to 65 percent of associated project costs from the federal government.

***Local Agencies Also Have Contributed Funding for Non-State Salton Sea Projects Pursuant to QSA Requirements.*** In addition to the SSMP projects supported by the funds displayed in the figure above, local entities also have funded and managed certain projects at the Sea. Specifically, the QSA required the local water agencies that were involved in that agreement—IID, CVWD, and SDCWA—to provide funding up to a cap of $133 million (in 2003 dollars) and carry out a variety of mitigation projects and activities. These agencies, along with CDFW, formed the QSA Joint Powers Authority (JPA) to help organize these efforts. Because the QSA JPA agencies have made their expenditures over a period of many years, the total funding obligation has been adjusted for inflation and accrued interest. By June 30, 2024, the JPA estimates it will have received cumulative contributions of $262 million from its members and made cumulative expenditures of $193 million. In addition to these local projects, the QSA required the JPA to provide $30 million (in 2003 dollars) as seed money for state-led restoration projects. As this funding is collected, it is deposited into the Salton Sea Restoration Fund, which is administered by CDFW. Adjusted for inflation, this equates to $68.5 million in total. This funding is included in the figure above. The state collects annual payments from the JPA of about $1.6 million to meet this obligation and will continue to do so through 2047.

***Future Costs and Funding Sources Remain Uncertain.*** The state still lacks clarity about how projects will unfold at the Salton Sea in the coming years—and how they will be supported. SSMP plans to continue evaluating potential projects and environmental conditions at the Sea, particularly as certain milestones are reached—such as completion of the first large-scale project (the SCH project), the USACE National Environmental Protection Act final environmental assessment, the USACE feasibility study, and the Phase 1: 10-Year Plan. The state still has a long way to go on the Phase 1: 10-Year Plan. While SSMP remains undecided about which additional projects the state will pursue to reach the 2028 acreage targets and what activities will follow this first phase, significant uncertainty also exists about how to fund such projects. Moreover, how SSMP will support ongoing operations and maintenance of projects after their initial construction is completed is unclear. Also uncertain is the amount of revenue that will be generated by the lithium extraction tax and when those revenues will be available for SSMP projects. Apart from anticipated lithium tax revenues, no ongoing state funding is dedicated for SSMP projects or maintenance and operations.

**LAO Assessment.** Below, the LAO discusses the Governor's Salton Sea proposals in the context of the worsening budget situation and offer some questions for the Legislature to consider as it weighs decisions to balance the budget.

***General Fund Condition Requires Tough Choices and a Higher Bar for Approving New Spending.*** The Governor's Salton Sea proposals would commit the state to General Fund expenditures of $65.2 million in 2024-25 and $3.3 million in 2025-26. Importantly, the current deficit means that General Fund revenues already are insufficient to fund existing baseline commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor "makes room" for proposed new spending on Salton Sea projects and staffing by making reductions to funds committed for other programs, including many in the climate and natural resources areas. However, the LAO estimates that the administration's revenue projections are overly optimistic and the budget deficit likely will exceed the level of solutions included in the Governor's proposal, requiring the Legislature and Governor to identify additional actions to balance the budget. Given the serious budget challenges this year, the LAO suggests the Legislature apply a high bar to its review of new spending proposals, be very selective in approving any of them, and recognize that they will require finding additional General Fund solutions from existing commitments.

***Maintaining Progress Toward Acreage Goals Represents State Responsibility and Is Important to Avoid Serious Public Health and Environmental Risks…*** Mitigating the deleterious public health impacts of toxic dust and the environmental implications of deteriorating bird habitat at the Salton Sea remain important—and required—state responsibilities. The SWRCB stipulated order requires at least 29,800 acres of projects be completed by the end of 2028, just under five years from now. While the state does not have primary financial responsibility for mitigating the impact of a declining Sea on the local economy, it also has an interest in supporting the well-being of residents and businesses in the region.

***…Yet Administration Has Sent Mixed Messages on Funding Urgency.*** The Governor's May 2023 proposal to reduce $169 million from previously committed and planned General Fund for Salton Sea projects signaled to the Legislature that funding was not urgently needed to accomplish state goals in the region. (As noted earlier, the Legislature modified this proposal in the final budget action to include a smaller yet still significant reduction of $119 million.) Now—as the state budget condition has gotten even worse—the administration proposes to partially reverse this action by providing $65 million in new resources. These mixed messages from the administration make it difficult for the Legislature to gauge the true urgency of providing funding this year. The administration has not provided a compelling explanation for the turnaround between its contention that the SSMP could accommodate such a significant reduction in funding last year and now, less than a year later, its argument that a new augmentation is critical.

***Proposal Raises Several Key Questions for Legislative Consideration.*** The proposed request for $60 million to initiate six Salton Sea projects raises a number of questions the Legislature might wish to consider as it weighs this request against its other budget priorities.

- *Is SSMP on Track to Meet Annual Acreage Targets, Even if It Receives Requested Funding?* The program and associated projects were very slow to get started—the QSA was signed in 2003 and the first projects were completed about 20 years later. Since the SWRCB stipulated order was issued in 2017, SSMP has missed required annual acreage targets in each of the first five years. Although the program has some momentum currently—nearing completion on its first large-scale project and with numerous projects underway or in planning—what will happen after these existing projects are complete still is unclear. In previous years, the program had plenty of funding yet still made slow progress—that is, money-on-hand does not appear to have been the key barrier or enabler to project success. For example, finalizing land access agreements with the various landowners around the Sea can be challenging. The administration seemingly resolved—at least temporarily—some of the difficult issues that create significant project delays (land access issues, permitting with a variety of federal and state entities, and uncertainties about the changing environment)—to make recent progress on the SCH project and several smaller projects. However, has the administration been able to resolve or make headway on those issues more generally for upcoming and future projects? What assurances does the Legislature have that if it gives precedence to providing this funding for the SSMP over other state priorities, the program can spend the requested funds promptly and complete the specified activities?

- *Is the Full $60 Million Truly Needed This Year?* Although the requested $60 million would be spread across six projects and support various planning, design, permitting—and in one case construction—activities, why this specific amount of funding is required this year is unclear. What specifically does the program plan to accomplish in 2024-25 and is the full $60 million needed immediately? What are the potential trade-offs and implications of providing a lesser amount?

- *What Is the Longer-Term Plan for Completing the Proposed Projects?* The proposed funding would support the initial stages of five projects as well as design and construction of one small project. Yet the administration has not provided information regarding how subsequent phases of these six projects would be funded. Given the expected General Fund condition over the next several years, the Legislature will want to consider the wisdom of providing funding in 2024-25 to begin projects that the state might be unable to continue supporting to completion. The Governor's proposal represents a larger multiyear commitment that might be fiscally unfeasible to sustain in the future without taking other measures, such as reducing funding for core ongoing programs to free up General Fund or asking voters to approve a bond measure. As such, the Governor's approach runs the risk of spending funds to start projects, but having to stop the work before they are complete without achieving the actual objectives.

***State Cost Share on Feasibility Study Could Help Secure Future Federal Funding.*** In 2022, the state entered into a cost-sharing agreement with the federal government for the USACE feasibility study and $3 million is needed for the current required state payment (the total state cost share is $8 million; the state already paid $1.5 million and will be required to pay another $3.5 million in the future). Depending on what the study finds, it could lead to federal project support in the future. Spending a relatively modest amount of state funding for the chance to undertake long-term restoration with federal support seems a compelling justification for this proposed expenditure, despite the General Fund condition.

***Supporting Maintenance and Operations of Completed Projects Would Preserve State's Investments and Objectives...*** The Governor proposes a total of 18 new positions for the state's work at the Salton Sea. Of these, eight new positions—four at DWR and four at CDFW—would be to maintain and operate (1) the SCH project as it reaches completion and (2) three vegetation enhancement projects that are nearing completion. (Five positions would be authorized starting in 2024-25 and an additional three beginning in 2025-26.) These positions have an associated General Fund cost of about $700,000 in 2024-25 growing to about $1.2 million in 2025-26 and ongoing. (The proposal plans to shift support for these positions to the Salton Sea Lithium Fund beginning in 2026-27.) The state has already expended significant time and resources to plan, design, and construct these projects. As such, a strong rationale exists for providing a modest amount of ongoing funding to preserve the value of those investments and ensure that the projects achieve their intended goals. Ongoing maintenance and operations activities would include upkeep of the infrastructure associated with these projects (for example, utility equipment such as backhoes, trucks, and dozers; radial gates; weirs; levees; pipelines; and aqueducts) as well preservation of habitats (for example, invasive species control, cleaning drainages, maintaining equipment, and conducting surveys).

***…But Urgent Need for Other Positions Less Clear.*** The remaining ten positions proposed by the Governor would no doubt be helpful in supporting state activities at the Salton Sea. For example, proposed new staff would provide legal support, including on land access agreements; conduct outreach and engagement activities in local communities; provide environmental science expertise, including data collection and species surveys; provide administrative support; and manage budgets. However, in the context of the General Fund condition and resulting trade-offs, the LAO is not certain whether these positions are absolutely vital to begin conducting these activities immediately. The Legislature could consider waiting to fund these positions until other revenue sources—such as lithium tax revenues—become available.

***Delaying Some Activities Could Provide Opportunity to Use Other Funding Sources.*** A couple of other funding sources could become available to support some of the Governor's proposed activities in the next few years. As such, the Legislature may want to consider waiting to see if such funds materialize in lieu of providing General Fund for these activities now. First, part of the current request—$8 million—is for the SCH Expansion project. The administration indicates this funding is intended to serve as a bridge until additional federal funds are received. However, the administration already received $70 million in December 2023 from Reclamation for this project and anticipates an additional $175 million in federal funds may be forthcoming. Moreover, Reclamation does not require a state cost share to draw down these federal funds. Consequently, the Legislature could consider waiting for additional federal funding for the SCH Expansion project activities rather than providing General Fund now. Second, lithium tax revenues provide another possible source of funding for Salton Sea projects. The administration estimates the lithium tax could generate about $9 million for SSMP in 2026-27 and up to $35 million by 2028-29. The Legislature could defer supporting some of the proposed funding for positions and projects until lithium revenues become available. While such steps could help the General Fund now, a clear trade-off of waiting to see if other funding sources materialize is delaying project initiation. Postponing progress on the proposed projects could in turn lead to delays in meeting SWRCB's acreage targets and, more importantly, in mitigating the negative impacts of a shrinking Sea.

***Meeting the State's Ongoing Responsibilities at the Salton Sea Will Require Longer-Term Funding Commitment.*** The Governor's 2024-25 proposals represent just one set of projects needed for the state to meet its 2028 restoration target at the Salton Sea. Given the significant public health and environmental risks at the Sea, as well as the state's legal responsibilities, the Legislature will need to grapple with how to fund these particular projects, additional (and as-yet undetermined) activities to meet Phase 1: 10-Year Plan acreage goals, and future projects in subsequent phases as the Sea continues to shrink. If the state cannot afford to support these costs on a pay-as-you-go basis with General Fund, it could consider using general obligation bond financing (which is also paid for with General Fund, but over a longer period). While that comes with the cost of debt service (including additional costs for paying interest on the debt), the annual cost is lower than paying up front. Another consideration is the timing of when the funds would be available to support projects. Even if the Legislature were to pursue a bond containing funding for Salton Sea projects, it would have to wait for a statewide election, the proposal would have to be approved by voters, and the resulting funds would not be available until after the election. (As such, bond funds could not be available at the beginning of the 2024-25 fiscal year to implement the Governor's proposals.) In addition, all projects will require ongoing maintenance activities to preserve their intended functions once construction is complete. While bond funds can be helpful to support capital construction, they are not an ongoing solution for maintenance and operations costs. Lithium tax revenues may provide a source of funding upon which the state can depend in the future—however, the degree to which those will materialize (and when) still is uncertain. The Legislature also could consider the use of other special funds, such as, for example, the Greenhouse Gas Reduction Fund (GGRF), for Salton Sea projects. (While these projects would not directly reduce greenhouse gas emissions, they would reduce air pollution in the region and provide benefits to a largely socioeconomically disadvantaged population, which could make GGRF an appropriate fund source to consider. The trade-off of this approach would be less GGRF available for other activities.)

**LAO Recommendations.** ***Approve Request That Could Lead to Federal Funding.*** The LAO recommends that the Legislature approve $3 million for the state's share of cost for the USACE feasibility study, as the state already committed to providing these funds and this relatively modest state investment could yield potentially significant future federal funds to help meet the state's goals.

***Approve Positions for Maintenance and Operations of Completed Projects.*** The LAO recommends the Legislature approve funding and positions to support the ongoing maintenance and operations of projects the state has nearly completed at the Salton Sea, including the large-scale SCH project. This staffing would protect the state's previous investments in these projects and help ensure the projects achieve intended goals. Specifically, the LAO recommends approving (1) approximately $700,000 and five ongoing positions (four at DWR and one at CDFW) beginning in 2024-25 and (2) a total of $1.2 million and three additional positions (at CDFW) beginning in 2025-26 and on an ongoing basis. Once the Salton Sea Lithium Fund contains sufficient resources to support these costs in the coming years, the Legislature can shift them off of General Fund support.

***Weigh Trade-Offs of Funding the Governor's Other Proposals—Perhaps at a Partial Level—Against Other Budget Priorities.*** The LAO finds that the proposed SSMP projects have merit and remain important for addressing public health and environmental risks at the Salton Sea. Similarly, the other ten positions the Governor requests could help pursue the state's goals in the region. However, providing the full amount of General Fund the Governor proposes in 2024-25 would mean having to find additional budget solutions. Given the worsening budget condition, this could mean cutting into core ongoing programs. As such, the LAO recommends the Legislature carefully consider how these activities rank alongside its other General Fund priorities. If supporting Salton Sea projects and staffing are important 2024-25 priorities for the Legislature even in constrained budget conditions, it has a couple of options for how it could proceed if it wanted to modify the Governor's proposal.

First, it could consider providing a lower amount of funding to support fewer projects and/or fewer staff. This could allow the state to continue to make some progress on its goals at the Sea albeit at a slower pace. The Legislature could use one or more criteria to guide its decisions about which projects to support. For example: Which projects would be the most straightforward to complete (such as because they lack complex land access issues or would require fewer permitting hurdles)? Which would mitigate the public health impacts of toxic dust most effectively? Which would result in the most restoration acres completed? Which might leverage federal support? Which staff activities are most essential to conduct in the near term?

Second, the Legislature could consider providing the full amount requested, but to support fewer projects all the way through completion. This would address the concern that funding constraints might stall progress on the subsequent activities needed to finish the projects. For example, rather than funding the initial stages of all six projects, the Legislature could instead provide $60 million to support the full project implementation costs for four of the six projects: San Felipe Fan ($35 million), SCH Vegetation Enhancement ($13.4 million), IID Clubhouse Expansion ($8.4 million), and Wister Bird Unit Marsh Bird Habitat Project ($600,000).

***Exercise Caution in Initiating Projects Without Plan for Next Steps.*** The Governor's proposed approach of starting six projects without having identified a funding plan for their completion raises concerns. To avoid that outcome, the LAO recommends the Legislature either ask the administration to come back in May with a funding plan to complete the six projects or consider one of several options itself in light of these out-year uncertainties. For example, it could consider scaling down the proposal and only funding a select number of projects but supporting them through their completion, as described above. As an alternative, it could plan for a bond or build General Fund into its multiyear spending plan (as discussed next). Another option would be waiting until SSMP has more certainty about potential future federal funds and lithium tax revenues before initiating new projects. Whatever level of projects the Legislature chooses to support, the LAO suggests it only do so if a plan is in place for how to fund these projects through completion to avoid stranded assets and wasted expenditures.

***Consider How to Fund the State's Longer-Term Commitment at the Salton Sea.*** Salton Sea management is a state responsibility and, left unmitigated, conditions at the Sea pose serious health and environmental risks. However, addressing this commitment far exceeds a one-time $60 million appropriation. The LAO recommends the Legislature consider some combination of the following approaches for crafting a longer-term funding plan at the Sea:

- *Bond Financing.* The Legislature could ask voters to approve a general obligation bond containing funding to complete all Phase 1 projects.

- *Lithium Tax Revenues.* Once more is known about the new lithium extraction industry in the region, the Legislature could develop a multiyear plan to support certain projects and/or activities based on the amount of revenues expected to be available each year.

- *General Fund.* The Legislature could identify a certain amount of annual funding to dedicate to meeting its obligations at the Sea and build it into its baseline multiyear budget plans. This could include support for both operations and maintenance as well as modest annual allotments to make progress on capital projects.

- *Special Funds.* The Legislature could explore dedicating a certain amount from GGRF or other appropriate special funds for Salton Sea projects and activities.

**Staff Recommendation. Hold open.**

## 3720 COASTAL COMMISSION

### Issue 12: Expedite Administration Priority Projects in the Coastal Zone

**Governor's Proposal.** The Governor's budget requests three new permanent positions to expedite state-funded priority projects, including ecological restoration, wildfire resilience and nature-based climate adaptation, in the coastal zone. The positions will be funded through interagency agreements (IA) with the Department of Parks and Recreation, State Coastal Conservancy, and the Department of Forestry and Fire Protection that are leading or funding the implementation of such projects.

This proposal is intended to support additional staff capacity to expedite coastal permits for state-funded priority projects concerning ecological restoration, wildfire resilience and nature-based climate adaptation projects. Priority projects reduce impacts (e.g. coastal floods, coastal erosion, wildfires, and cost of emergency response to such events) and the related costs by enhancing flood-mitigating ecosystems, protecting shorelines from erosion, increasing wildfire resilience, and reducing fuel loads.

The Coastal Commission has a backlog of items for technical review and must adhere to statutory and regulatory deadlines. Additional staff would expedite permitting and participate in the types of planning and coordination work needed to design and implement projects and utilize funding efficiently. Supporting prioritization of these types of projects, and particularly getting them through the environmental review and permitting stages in a timely and efficient manner, is also intended to better position state and local partners to then apply for "shovel ready" federal funding opportunities.

**Background.** The number of state-funded ecological restoration, wildfire resilience and nature-based climate adaptation projects will increase substantially in the coming years to preserve biodiversity and adapt to climate change and sea level rise, as reflected in the associated increased spending at the state and federal levels. Since 2021, the state has invested billions of dollars to support these projects, while Congress has also made unprecedented investments in coastal resilience with passage of the Bipartisan Infrastructure Law and Inflation Reduction Act.

The Coastal Commission conducts environmental review and authorizes coastal permits for development in the coastal zone, as required by the Coastal Act. Unlike other regulatory agencies however, the Coastal Commission is not authorized to charge permit fees to public agencies to cover the cost of environmental review and permit processing which has led to a bottleneck in the processing of permits and may delay the implementation of priority projects in the coastal zone.

**Staff Recommendation. Approve as budgeted.**

# 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

**Issue 13: Establishment and Implementation of Instream Flow Objectives in the Scott River and Shasta River Watersheds**

**Governor's Proposal.** The Governor's budget requests $711,000 in ongoing funding from the Water Rights Fund for two permanent positions to support establishing and implementing long-term instream flow objectives in the Scott River and Shasta River Watersheds.

**Background.** SWRCB has primary authority over water quality under both the Porter-Cologne Water Quality Act and the federal Clean Water Act. This includes the authority to adopt water quality objectives, including flow objectives, and programs of implementation to achieve those objectives. SWRCB may implement flow objectives by specifying minimum bypass flows in conditions of a water right or by establishing minimum instream flows and curtailing water rights in order of priority. SWRCB can also implement flows through its Clean Water Act water quality certifications associated with Federal Energy Regulatory Commission hydroelectric projects.

Instream flow needs are currently assessed and implemented in two main ways: (1) as part of processing individual water rights applications or (2) through case-by-case enforcement against unauthorized diversion. These approaches do not provide the broader flows needed for fisheries protection because degraded flow and habitat conditions may occur without any individual unauthorized diversion of water. A broader approach to establish and implement flows in the Scott River and Shasta River is intended to make better use of resources than the current water right-specific permitting and enforcement actions used to address inadequate habitat and flow.

This proposal is intended to complement SWRCB's core permitting and enforcement activities and move beyond drought emergency response (that provided immediate and interim fish protection) to long-term protections for the critical fish species in the Scott River and Shasta River watersheds.

**Staff Recommendation. Approve as budgeted.**

**Senator Josh Becker, Chair**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, May 30, 2024**
**Upon Adjournment of Floor Session**
**1021 O Street, Room 2200**

Consultants: Diego Emilio J. Lopez and Joanne Roy

# PART A

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 0540 California Natural Resources Agency (CNRA)
## 3480 Department of Conservation (DOC)
## 3540 Department of Forestry and Fire Protection (CalFire)
## 3600 California Department of Fish and Wildlife (CDFW)
## 3720 California Coastal Commission
## 3790 Department of Parks and Recreation (Parks)
## 3860 Department of Water Resources (DWR)

**Issue 1: Chaptered Legislation Proposals (May Revision (MR))**

**Governor's Proposal.** The May Revision requests resources from the General Fund and special funds to implement statutory requirements associated with legislation chaptered in 2023.

a) ***CNRA: SB 306 (Caballero), Chapter 387, Statutes of 2023: Extreme Heat Action Plan.*** $250,000 General Fund and one position ongoing. This bill requires annually reporting to the Legislature by the California Energy Commission regarding the direct install program as part of the Equitable Building Decarbonization Program and codifies the Extreme Heat Action Plan with required reporting.

b) ***DOC: AB 1167 (Wendy Carillo), Chapter 359, Statutes of 2023: Oil and Gas Acquisition and Bond Requirements.*** $751,000 Oil, Gas, and Geothermal Administrative Fund in 2024-25, $697,000 in 2025-26 and ongoing; and four positions ongoing. This bill requires a person who acquires the right to operate a well or production facility by purchase, transfer, assignment, conveyance, exchange, or other disposition, to file with the State Oil and Gas Supervisor an individual indemnity bond for the well or production facility or a blanket indemnity bond for multiple wells or facilities in an amount determined by the supervisor to be sufficient to cover, in full, all costs of plugging and abandonment, decommissioning, and site restoration, with certain exceptions, as provided.

c) ***CalFire: AB 1403 (Garcia), Chapter 368, Statutes of 2023: Fireworks Public Safety.*** $638,000 General Fund in 2024-25, $528,000 in 2025-26, and $512,000 in 2026-27 and ongoing; and two positions ongoing. This bill requires the State Fire Marshal, by January 1, 2025, to collect and analyze data about firework-related fires, damages, and arrests; submit a workload analysis to the relevant committees of the Legislature and train local authorities on relevant regulations related to fireworks, as specified. Also, this bill authorizes and limits local jurisdictional fees covering costs related to fireworks sale permits, inspection, public education, enforcement, and fire operation efforts.

d) ***CDFW: SB 544 (Laird), Chapter 216, Statutes of 2023: Bailey-Keene Open Meeting Act: Teleconferencing.*** $262,000 in special funds (Fish and Game Preservation Fund, Oil Spill Prevention and Administration Fund, and the Hatchery and Inland Fisheries Fund) in 2024-25 and 2025-26 and one position ongoing. This bill revises and repeals, until January 1, 2026, certain teleconference requirements under the Bailey-Keene Open Meeting Act, which requires all meetings of the state body be open and public.

e) ***California Coastal Commission: SB 423 (Wiener), Chapter 778, Statutes of 2023: Streamlined Housing Approvals Implementation.*** $200,000 General Fund ongoing and one position ongoing. This bill exends the sunset on SB 35 (Wiener), Chapter 366, Statutes of 2017, to January 1, 2036, and makes other specified changes. SB 35 created a streamlined, ministerial approval process for infill development projects in localities that have failed to meet their regional housing needs assessment numbers.

f) ***Parks: AB 618 (Bauer-Kahan), Chapter 536, Statutes of 2023: State Parks Reservations.*** $200,000 General Fund in 2024-25. This bill requires any contract entered into by Parks to manage the department's reservation system to reflect certain rules, authorizations, and requirements, as specified. Also, this bill requires Parks, by January 1, 2025, and through January 1, 2029, to implement a reservation drawing for up to five of the most popular units of the state park system and to report on the outcomes of the reservation drawing to the Legislature.

g) ***DWR: SB 659 (Ashby), Chapter 624, Statutes of 2023: California Water Supply Solutions Act Implementation.*** $300,000 General Fund ongoing and one position ongoing. This bill requires DWR, as part of the 2028 update to the California Water Plan, and each subsequent update thereafter to the plan, to provide actionable recommendations to develop additional groundwater recharge opportunities that increase the recharge of the state's groundwater basins.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 0540 California Natural Resources Agency (CNRA)
## 3125 California Tahoe Conservancy
## 3355 Office of Energy Infrastructure Safety
## 3360 Energy Resources Conservation and Development Commission (CEC)
## 3480 Department of Conservation (DOC)
## 3570 Department of Forestry and Fire Protection (CalFire)
## 3600 California Department of Fish and Wildlife (CDFW)
## 3720 California Coastal Commission
## 3760 State Coastal Conservancy
## 3790 Department of Parks and Recreation (Parks)
## 3830 San Joaquin River Conservancy
## 3835 Baldwin Hills Conservancy
## 3845 San Diego River Conservancy
## 3855 Sierra Nevada Conservancy
## 3860 Department of WAter Resources (DWR)
## 3875 Sacramento-San Joaquin Delta Conservancy

### Issue 2: CNRA Bond and Technical Proposals (MR)

**Governor's Proposal.** The May Revision requests appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized programs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 0540 California Natural Resources Agency (CNRA)
## 3600 California Department of Fish and Wildlife (CDFW)
## 3860 Department of Water Resources (DWR)

### Issue 3: Salton Sea Management Program (Governor's Budget (GB)) (MR)

**Governor's Proposal.** According to the LAO:

The Governor's budget proposes $65.2 million from the General Fund in 2024-25, $3.3 million from the General Fund in 2025-26, and $3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing for Salton Sea restoration projects and SSMP staffing, as follows:

- $60 million General Fund to begin work on six projects, including the SCH Expansion project. Depending on the project, activities conducted in 2024-25 would include planning, design, and/or permitting. For one small project, funding would support design and construction. The administration currently estimates the total combined cost for these projects at between $376 million and $453 million. Once completed, these projects would provide up to 8,165 acres of wetlands, dust suppression, vegetation enhancement, and aquatic habitat.
- 18 new positions at DWR, CDFW, and CNRA, phased in over two years (nine beginning in 2024-25 and another nine in 2025-26) along with $1.6 million from the General Fund in 2024-25, $3.3 million from the General Fund in 2025-26, and $3.3 million from the Salton Sea Lithium Fund in 2026-27 and ongoing. (The proposal assumes lithium development will begin generating tax revenue sufficient to support these positions in the out-years.) These positions would be responsible for a variety of activities, including maintenance and operations of completed projects (including upkeep of both infrastructure and habitat), data collection, real estate support, environmental science, and management and administrative functions.
- $3 million General Fund in 2024-25 for the state's current required payment to support the USACE Imperial Streams Salton Sea and Tributaries Feasibility Study pursuant to an agreement the state made with the federal government regarding this work. In addition, the budget proposes $600,000 on a one-time basis from the General Fund to contract with a company to provide technical support for project planning, environmental and regulatory compliance, and initial project design.

The May Revision shifts the funding source from the General Fund to the Greenhouse Gas Emissions Fund (GGRF).

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 18, 2024.

**Staff Recommendation. Approve as budgeted and conform to the GGRF Spending Plan.**

## 0540 Ocean Protection Council (OPC)
## 3560 State Lands Commission (SLC)
## 3720 California Coastal Commission

### Issue 4: Support for Offshore Wind Energy (MR)

**Governor's Proposal.** The May Revision requests $16 million one-time General Fund over three years to support state efforts to plan for and implement offshore wind energy development in federal waters off the coast of California based on recommendations from the *Draft AB 525 Offshore Wind Strategic Plan*, and to support compliance with AB 1373 (Garcia), Chapter 367, Statutes of 2023 and SB 286 (McGuire), Chapter 386, Statutes of 2023.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3100 Exposition Park

**Issue 5: Exposition Park Capacity Building**

**Governor's Proposal.** The Governor's budget requests $479,000 Exposition Park Improvement Fund and $84,000 in reimbursement authority in 2024-25 and ongoing for four positions to address increased workload in Exposition Park.

This issues was heard in Subcommittee No. 2 on March 14, 2024.

**Staff Recommendation.** Approve as budgeted.

**Issue 6: Southeast Underground Parking Structure**

**Request.** The Governor's budget requests $352 million Public Building Construction Fund for Exposition Park for the design-build phase of Exposition Park's Southeast Underground Parking Structure project to construct an underground parking structure with a public park on its top-deck with an adjacent headquarters and community center.

This proposal was heard on March 14, 2024.

**Staff Recommendation.** Approve as budgeted.

**Issue 7: California Science Center: Minimum Wage Increase Impact – May Revision**

**Request.** May Revision requests $23,000 ongoing from the General Fund to address the State's minimum wage increase impact to its contract for specialized functions with the California Science Center Foundation.

**Staff Recommendation.** Approve as budgeted.

**Issue 8: California Science Center: Operational Support for Phase III Facility – May Revision**

**Request.** The May Revision requests $2.9 million General Fund and 7 positions in 2024-25, $3.5 million in 2025-26, $3.6 million in 2026-27, $3.7 million in 2027-28, and $3.8 million ongoing to support core facilities operations and utilities associated with operating the state-approved Phase III Project.

**Staff Recommendation.** Approve as budgeted.

## 3125 California Tahoe Conservancy

### Issue 9: Lake Tahoe Boulevard Demolition and Site Stabilization (MR)

**Governor's Proposal.** The May Revision requests $2 million California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68), $756,000 Tahoe Conservancy Fund, and will use $100,000 of existing Habitat Conservation Fund for the preliminary plans, working drawings, and construction phases of the Lake Tahoe Boulevard Demolition and Site Stabilization Project. The project includes demolition of three existing buildings and stabilization of the remaining soil surface to avoid soil erosion into the nearby river.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 10: Proposition 68 Program Implementation (MR)

**Governor's Proposal.** The May Revision requests $1 million Proposition 68 to continue implementing projects and provide funding to partners to improve parks and natural areas, restore rivers and wetlands, and improve access for all, and support climate preparedness and resiliency.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 11: Upper Truckee Marsh Restoration Project (MR)

**Governor's Proposal.** The May Revision requests an increase of $400,000 one-time for a total of $700,000 Federal Trust Fund to study restoration and recreation needs and complete environmental review for the Upper Truckee Marsh Restoration Project.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 12: Withdrawal of Upper Truckee River Sunset Stables Reach 6 Restoration Project (MR)

**Governor's Proposal.** The May Revision requests a decrease of $250,000 one-time reimbursement authority in 2024-25. These resources were requested through a proposal included in the Governor's budget, which the conservancy is requesting be withdrawn. The conservancy has identified a possible need to revise the request and re-submit it in the future based on additional information learned during the study phase of the project.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3340 California Conservation Corps

**Issue 13: Residential Center, Auberry (GB)**

**Governor's Proposal.** The Governor's January budget proposes $5.9 million in lease revenue bonds (to be repaid by the General Fund) for the working drawing phase. Total project costs are estimated at $123.1 million. The proposal notes that this project also would increase ongoing operating costs by $7 million from the General Fund annually.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 14: Withdrawal of 2024-25 Fall Proposal – Nonresidential Center, Wilderness and Watersheds Restoration District: Acquire Existing Nonresidential Facility (MR)**

**Governor's Proposal.** The May Revision requests to withdraw the Governor's Budget proposal requesting $2.5 million Proposition 68 to acquire the leased Wilderness and Watersheds Restoration District Nonresidential Facility located in Eureka, Humboldt County. The department is exploring other, more cost-effective options, including the use of existing state facilities.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 15: Withdrawal of 2024-25 Fall Proposal – Residential Center, Camarillo: Fitness, Fire Readiness, and Health & Safety (MR)**

**Governor's Proposal.** The May Revision requests to withdraw the Governor's Budget proposal requesting $650,000 Proposition 68 to develop a fitness track at the Camarillo Residential Center. The department is exploring other, more cost-effective options such as using Corpsmember labor to develop the track.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 16: Reversion of Unexpended Balance for Los Padres Facility Repairs and Vehicle Replacements (MR)**

**Governor's Proposal.** The May Revision requests to revert (1) $321,000 General Fund for repairs and maintenance needs at the Los Padres facility, which was included in the 2021 Budget Act and is available for expenditure until June 30, 2024, and (2) $371,000 General Fund for the replacement of fleet vehicles, which as included in the 2022 Budget Act and is available for expenditure until June 30, 2024.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 17: Employee Compensation Adjustments (MR)**

**Governor's Proposal.** The May Revision requests an increase of $26,000 General Fund ongoing and $9,000 Collins-Dugan California Conservation Corps Reimbursement Account to reflect revised employee compensation costs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3480 DEPARTMENT OF CONSERVATION (DOC)

**Issue 18: Plugging and Well Remediation (Budget Change Proposal (BCP) and Trailer Bill Language (TBL) (GB)**

**Governor's Proposal.** The Governor's budget requests $7.5 million for 2024-25 and 2025-26 from the Oil, Gas, and Geothermal Administrative Fund (OGGAF) (Fund 3046) to implement the mandates of recent chaptered legislation associated with conducting state abandonments to plug and abandon hazardous and idle-deserted wells, decommissioning of facilities, and site remediation.

The proposal includes a shift of the 2023-24 $50 million one-time General Fund appropriation for this purpose to the Greenhouse Gas Reduction Fund (GGRF) in 2024-25, as follows:

- Commencing with 2022-23, and each fiscal year thereafter, $5 million.
- On a one-time basis, for 2024-25, $7.5 million as a match to the dedicated $50 million General Fund appropriation for 2022-23 for the above-mentioned purposes.
- On a one-time basis, for 2025-26, $7.5 million as a match to a dedicated GGRF appropriation for 2024-25 for the above-mentioned purposes.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Comment.** For clarification, please note that the $7.5 million OGGAF in both 2024-25 and 2025-26 was adopted through TBL as part of last year's budget package (specifically SB 122 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2023).

**Staff Recommendation. Approve General Fund reduction. Reject fund swap to GGRF and proposed TBL. Adopt alternative TBL clarifying that the General Fund provided in the 2022-23 fiscal year shall qualify as the state match for the $7.5 million to be provided in the 2025-26 fiscal year from OGGAF.**

## 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

**Issue 19: 66-Hour Workweek (no BCP) (GB and MR)**

**Governor's Proposal.** The Governor's budget includes $199 million ($197 million from the General Fund) and 338 positions in fiscal year 2024-25 to begin implementing a shift to a 66-hour workweek as contemplated in the 2022 Memorandum of Understanding (MOU) with Unit 8. The costs of the proposal would increase in the coming years as CalFire phases in the changes, rising to $770 million ($756 million from the General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29.

The May Revision requests to add provisional language to Item 3540-001-0001to provide contracting efficiencies included with other similar prior investments to support implementation of the 66-Hour Workweek.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024, and May 15, 2024.

**Staff Comment.** In the past few years, the state has started to shift its approach on how to address wildfires —not just by suppressing them — but also by acknowledging the importance of, and placing greater emphasis on, wildfire prevention and resilience work, e.g. prescribed fires and improving forest health. CalFire has grown significantly in the past few years with an increase in firefighter personnel and major investments in CalFire's aviation program, equipment, and capital outlay projects. This proposal would further increase the number of CalFire firefighter personnel substantially and expand the department's operations during months that are relatively low-risk for wildfires. This, in turn, should make additional personnel available to perform not only wildfire suppression but also to engage in wildfire prevention and resilience work. In order to better understand and assess how the growth of the department is improving and increasing its wildfire prevention and resiliency work, annual reporting would be prudent.

**Staff Recommendation. Approve as budgeted and add placeholder TBL requiring CalFire to report annually on wildfire prevention and resiliency work.**

**Issue 20: Five Firefighter Hand Crews (MR)**

**Governor's Proposal.** The May Revision requests $46.8 million ($46.4 million General Fund and $373,000 other funds) and 226 positions in 2024-25 and $44.5 million ($43.8 million General Fund and $731,000 other funds) and 234 positions in 2028-29 and ongoing, phased in over five years with varying amounts in the intermediate years to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. This proposal provides funding to make permanent five existing temporary CalFire firefighter hand crews. The five crews include a mix of year-round and seasonal staff.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Comment.** Considering the condition of the state budget in the out-years, the significant increase in firefighters in this year's budget, and approval of a similar hand crew proposal last year that had a one-year basis of funding — it may be prudent to maintain the status quo by adjusting this proposal to provide one-year of funding, and have the Administration come back next year to justify or modify additional years of funding. In addition, the Legislature has asked CalFire to provide an assessment of

Fire response capacity at CalFire and partner agencies; gaps in capacity; and where additional resources would be most beneficial no later than April 2020 (more than four years ago) and it has yet to come to fruition.

**Staff Recommendation. Approve $43.0 million ($42.6 million from the General Fund and $373,000 from other funds) and 226 positions in 2024-25 to support five hand crews on a one-year basis (excluding the proposed funding for facility improvements and amortization of vehicles and related equipment). Reject the proposed out-year funding.**

### Issue 21: Allocation for Employee Compensation (MR)

**Governor's Proposal.** The May Revision requests an increase of $4,000 ongoing and reimbursements be increased by $1,000 ongoing to reflect revised employee compensation costs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 22: Boggs Mountain Helitack Base - Relocate Facility (Continuing) (GB)

The Governor's budget requests $1.5 million General Fund for the preliminary plans phase. Total project costs are estimated at $26.3 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 23: Butte Fire Center: Replace Facility (Continuing) (GB and MR)

The Governor's budget requests $57.6 million in lease revenue bonds (to be repaid by the General Fund) for the construction phase. Total project costs are estimated at $63 million.

The May Revision requests to withdraw the 2024-25 fall proposal for $57.62 Public Building Construction Fund for the construction phase of the Butte Fire Center project. Additional information learned during the design phase of the project indicates that this requires is premature and a new proposal for the project is expected to be included in a future budget.

**Dates Originally Heard.** These issues were heard in Subcommittee 2 on April 11, 2024, and May 15, 2024.

**Staff Recommendation. Approve May Revision proposal to withdraw this request.**

### Issue 24: Hayfork Fire Station: Relocate Facility (Continuing) (GB)

The Governor's budget requests $640,000 General Fund for the preliminary plans phase. Total project costs are estimated at $15.9 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 25: Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facility (Continuing) (GB)

The Governor's budget requests $2.5 million General Fund for the working drawings phase. Total project costs are estimated at $80.9 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 26: Humboldt-Del Norte Unit Headquarters: Relocate Facility (Continuing) (GB)

The Governor's budget requests $4 million in lease revenue bonds (to be repaid by the General Fund) for the working drawings phase. Total project costs are estimated at $78.3 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 27: Ishi Conservation Camp: Replace Kitchen (Continuing) (GB)

The Governor's budget requests $11 million General Fund to repay the interim financing loan for the construction of the project. This repayment is necessary due to an inability to secure the insurance coverage necessary to finance the project with lease revenue bonds, as originally intended. Total project costs are estimated at $11.8 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 28: Sonoma Lake Napa Unit Headquarters and St Helena Fire Station: Relocate Facility (New) (GB)

The Governor's budget requests $7.6 million in lease revenue bonds (to be repaid by the General Fund) for the performance criteria phase. Total project costs are estimated at $152.4 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Comment.** This project as currently proposed would be located on land that is a wildlife habitat connectivity corridor. CalFire and the Department of General Services should ensure that the project and the use of the new headquarters and fire station do not impact the habitat corridor.

**Staff Recommendation. Approve as budgeted. Add placeholder trailer bill language to preserve and protect habitat.**

**Issue 29: Parkfield Forest Fire Station: Relocate Facility (Continuing) (GB)**

The Governor's budget requests $18.6 million in lease revenue bonds (to be repaid by the General Fund) for the construction phase. Total project costs are estimated at $20 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 30: Rohnerville Air Attack Base: Replace Fuel System (Continuing) (GB)**

The Governor's budget requests $1.9 million General Fund for the construction phase. Total project costs are estimated at $2 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 31: Ramona Air Attack Base (AAB): Critical Emergency Response Operations Infrastructure Improvements (GB)**

**Governor's Proposal.** The Governor's budget requests $12 million one-time General Fund in 2024-25 for a loading pit reconfiguration at the Ramona AAB to repair and improve retardant loading operations, better meet tactical objectives, and increase fire operations.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 32: Additional CalFire Training Center (CFTC): New Facility (BCP) (GB and MR)**

**Governor's Proposal.** The Governor's budget includes $18.7 million from the General Fund in 2024-25 for the acquisition of property on which to construct a new training center for CalFire. The total cost of this project was anticipated to be $419 million in GB.

The May Revision requests a supplemental of $12.91 million General Fund for the acquisition phase of the Additional CalFire Training Center: New Facility project. The total estimated cost is $631.53 million.

The Administration states that this supplemental appropriation is needed due to changes in the estimated minimum parcel size for the project, which has increased from approximately 50 acres to approximately 115 acres, and to cover additional costs related to project execution. The Administration states that a future project will be proposed to fully develop the remainder of the property after the initial project is complete.

**Dates Originally Heard.** These issues were heard in Subcommittee 2 on April 11, 2024, and May 15, 2024.

**Staff Comment.** As noted by the LAO, it is premature to fund the acquisition of property for this project when the Legislature has not been afforded the opportunity or reasonable time to review relevant studies, including justification for whether the project is necessary. The information that has been provided recently is insufficient, especially considering that the Administration states in the May Revision that it has yet to fully develop a plan for the 115 acres — over double acreage proposed in the Governor's budget a few months ago.

**Staff Recommendation. Reject both the Governor's budget and May Revision proposals.**

**Issue 33: Various Capital Outlay Reappropriations (MR)**

**Governor's Proposal.** The May Revision requests reappropriation for 24 projects, as follows:

a) ***Alhambra Valley Fire Station: Relocate Facility.*** Acquisition: $2.5 million.
b) ***Badger Forest Fire Station.*** Construction: $2.927 million.
c) ***Boggs Mountain Helitack Base: Relocate Facility***. Acquisition: $2 million.
d) ***Butte Fire Center: Replace Facility***. Working Drawings: $2.745 million.
e) ***Chico Air Attack Base: Relocate Facility.*** Preliminary Plans $923,000; Working Drawings: $963,000.
f) ***Columbia Helitack Base: Replace Facility***. Preliminary Plans: $1.228 million.
g) ***Elsinore Fire Station: Relocate Facility.*** Acquisition: $1.8 million.
h) ***Fresno Air Attack Base: Infrastructure Improvements.*** Preliminary Drawings: $280,000; Working Drawings: $292,000; and Construction: $3.217 million.
i) ***Growlersburg Conservation Camp: Replace Facility.*** Working Drawings: $4.548 million.
j) ***Hemet-Ryan Air Attack Base: Replace Facility.*** Working Drawings: $1.931 million.
k) ***Higgins Corner Fire Station: Replace Facility.*** Preliminary Plans: $789,000; Working Drawings: $789,000.
l) ***Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facility.*** Preliminary Plans: $2.131 million.
m) ***Howard Forest Helitack Base: Replace Facility.*** Preliminary Plans: $1.228 million; Working Drawings: $1.228 million.
n) ***Intermountain Conservation Camp: Replace Facility.*** Acquisition: $600,000.
o) ***Kneeland Helitack Base: Relocate Facility.*** Preliminary Plans: $850,000.
p) ***Macdoel Fire Station: Relocate Facility.*** Preliminary Plans: $586,000; Working Drawings: $586,000.
q) ***Paso Robles Air Attack Base: Infrastructure Improvements.*** Preliminary Plans: $285,000; Working Drawings: $297,000.
r) ***Perris Emergency Command Center: Remodel Facility.*** Working Drawings: $300,000.
s) ***Prado Helitack Base: Replace Facility.*** Working Drawings: $300,000.
t) ***Ramona Air Attack Base: Infrastructure Improvements.*** Preliminary Plans: $431,000; Working

Drawings: $449,000; Construction: $4.947 million.

u) ***Riverside Unit Headquarters: Relocate Facility.*** Acquisition: $3.6 million.

v) ***Rohnerville Air Attack Base: Replace Fuel System.*** Preliminary Plans: $5,000; Working Drawings: $55,000.

w) ***Self-Generating Power Projects in Tehama-Glenn and Fresno-Kings Units.*** Preliminary Plans: $1 million; Working Drawings: $1 million.

x) ***Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facilities.*** Working Drawings: $6.288 million.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3560 STATE LANDS COMMISSION (SLC)

**Issue 34: Inflation Reduction Act: Methane Emissions Reduction for Marginal Conventional Wells (MR)**

**Governor's Proposal.** The May Revision requests $20.78 million in Federal Trust Fund Authority, which was granted to SLC through the Inflation Reduction Act, for the purpose of implementing the Methane Emissions Reduction Program for Marginal Conventional Wells. The funds are intended to be fully expended by June 30, 2029, and do not impose on the state any requirement to commit or expend new state funds for any program or purpose.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

**Issue 35: Cannabis Environmental Restoration and Protection Support (Allocation 3 Enhancement) (MR)**

**Governor's Proposal.** The May Revision requests 29 positions (permanent position authority only) in 2024-25 and ongoing to increase capacity for cannabis environmental restoration and protection by expanding stakeholder engagement, increasing grant opportunities, and increasing law enforcement and scientific capacity. The positions will be funded by CDFW's existing authority provided through the continuous appropriation from the Cannabis Tax Fund — Department of Fish and Wildlife, Environmental Restoration and Protection Account – Allocation 3.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 36: Dedicated Fish and Game Preservation Fund Realignment (BCP and TBL) (MR)**

**Governor's Proposal.** The May Revision requests various adjustments to the Fish and Game Preservation Fund's dedicated accounts, California Waterfowl Habitat Preservation Account, Fish and Game Preservation Fund, Upper Newport Bay Ecological Reserve Maintenance and Preservation Fund, and Nesting Bird Habitat Incentive Program Account, Fish and Game Preservation Fund resulting in an increase of $3.22 million in 2024-25 and $2.62 million ongoing. These adjustments align the accounts' expenditure authority with revenues and help CDFW maintain stability, structural balance, and workload for the funds.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 37: Environmental Enhancement Fund Settlement Appropriation (MR)

**Governor's Proposal.** The May Revision requests $7.64 million Environmental Enhancement Fund one-time with an extended encumbrance period through June 30, 2026, and an extended liquidation period through June 30, 2031, to allow CDFW to meet the needs of grant applicants completing habitat restoration work and follow necessary administrative and grant award timelines.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3720 CALIFORNIA COASTAL COMMISSION
## 3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (SF BCDC)

### Issue 38: Sea Level Rise (SLR) Planning and Adaptation (SB 272) (MR)

**Governor's Proposal.** The May Revision requests the following:

- California Coastal Commission: $2.1 million General Fund and nine permanent positions in 2024-25 and $3.8 million General Fund and 18 positions in 2025-26 and ongoing to support workload associated with the implementation of SB 272 (Laird), Chapter 384, Statutes of 2023.

- SF BCDC: $804,000 General Fund and three positions in 2024-25, $3.1 million and 10 positions in 2025-26, and $3.8 million and 15 positions in 2026-27 and ongoing to support workload and contracts associated with the implementation of SB 272.

SB 272 (Laird) requires a local government in the coastal zone or within the San Francisco Bay to develop an SLR plan as part of either a local coastal program or a shoreline resiliency plan that includes certain information, including SLR adaptation strategies and recommended projects, requires local governments to comply by January 1, 2034, as specified, and prioritizes funding for implementation of sea level adaptation strategies in approved plans, among other things.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3790 Department of Parks and Recreation (Parks)

**Issue 39: Malakoff Diggins State Historic Park (SHP) Mine Remediation Implementation (GB)**

**Governor's Proposal.** The Governor's budget requests $6 million General Fund in 2024-25 and $1.5 million General Fund in 2025-26 and 2026-27 to continue implementation of improvements required by the State Water Resources Control Board and to maintain the remedial actions to abate contamination resulting from historic mining activities at Malakoff Diggins SHP for the Mine Remediation Project. Tasks in this proposal build upon previous appropriations used for design, permitting and initial implementation and construction. Specifically, this request consists of: (1) $3 million ($1.5 million in 2025-26 and 2026-27) for sampling and monitoring, maintenance of prior cleanup actions undertaken by the state, and may include limited cleanup activities, and (2) $6 million to continue implementation of improvements.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 40: 2023 and 2024 Storm Damage – Statewide Repairs and Adaptation Project (MR)**

**Governor's Proposal.** The May Revision requests $5 million Natural Resources and Parks Preservation Fund in 2024-25 and $51 million reimbursement authority phased over the next two years ($5 million in 2024-25) to address damages and rebuilding efforts related to the 2023 and 2024 winter storms, including Hurricane Hillary. This request builds on immediate need resources previously provided through the *2023 Winter Storm Damage — Statewide Repairs and Adaptation* proposal. Funding from the 2023 Winter Storm Damage proposal is requested to be reappropriated to allow Parks to utilize existing funds to address either 2023 or 2024 storm damage. Federal Emergency Management Agency (FEMA) funding will be the source of the reimbursements for this proposal.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 41: California Indian Heritage Center: Design and Construction (MR)**

**Governor's Proposal.** The May Revision requests a supplemental appropriation of $3.49 California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection (Proposition 40) bond funds, set aside specifically for the California Indian Heritage Center project in Yolo County pursuant to Public Resources Code Section 5096.652(a). This supplemental appropriation is for increased costs in Preliminary Plans to cover more extensive outreach activities than previously anticipated.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## Issue 42: Deferred Maintenance and Special Projects (MR)

**Governor's Proposal.** The May Revision requests $14.93 million one-time from Proposition 40 to address deferred maintenance projects and other bond eligible projects that are deemed critical to the mission and goals of Parks. This proposal represents a fund shift of deferred maintenance projects from the General Fund to Proposition 40, which will result in General Fund savings and allow Parks to make progress on implementing the Next Generation Sales and Reservations Management (NextGen) Solution.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## Issue 43: El Capitan State Beach (SB): Entrance Improvements (MR)

**Governor's Proposal.** The May Revision requests a supplemental appropriation of $4.1 million Natural Resources and Parks Preservation Fund (NRPPF) to replace expired grant funding that is needed to complete the construction phase of the El Capitan SB: Entrance Improvements project in Santa Barbara County.

Parks states that grant funding was lost due to delays at the start of construction caused by lengthy permitting requirements, associated project modifications, and conditions altered by severe storm damage.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## Issue 44: Fort Ross State Historic Park (SHP): Cultural Trail (MR)

**Governor's Proposal.** The May Revision requests $2.816 million Proposition 40 for supplemental appropriations for the working drawings ($336,000) and construction ($2.48 million) phases of the Fort Ross SHP Cultural Trail project.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## Issue 45: Next Generation Sales and Reservation Management System Solution (R2S2 NextGen) Project Support (MR)

**Governor's Proposal.** The May Revision requests authority for a total of 17 permanent positions (five positions in 2024-25, an additional five positions in 2025-26, and an additional seven positions in 2026-27). Parks requests to reallocate General Fund appropriated in 2021 for Deferred Maintenance to provide funding to support the requested information technology resources for three years, which will support the implementation of the NextGen project, which is intended to improve Parks's current reservation and recreation system and revenue collection as well as provide better real-time data analytics to increase utilization and enable park staff and managers to make business decisions based on real-time data.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 46: Off-Highway Vehicle Trust Fund (OHVTF) Local Assistance Grants (MR)

**Governor's Proposal.** The May Revision requests $29 million OHVTF in 2024-25 for local assistance grants. This fund provides state funds to local and state agencies and other organizations for grants that support off-highway motorized vehicle projects and programs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 47: Statewide Capital Outlay Reappropriations (MR)

**Governor's Proposal.** The May Revision requests reappropriation of existing Capital Outlay appropriations to allow for the completion of projects currently in process.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 48: Statewide Floating Restrooms (MR)

**Governor's Proposal.** The May Revision requests $300,000 Harbors and Watercraft Revolving Fund in 2024-25 and ongoing to continue constructing and delivering Americans with Disabilities Act (ADA) compliant floating restrooms to California lakes and reservoirs to help protect these waters from contamination by recreational boater sewage. This funding is needed for the matching requirement to leverage up to $900,000 from the federal Clean Vessel Act Inland grant, which the Division of Boating and Waterways receives annually for floating restroom construction and deployment.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 49: Winter Recreation Fund Program Support (MR)

**Governor's Proposal.** The May Revision requests $360,000 Winter Recreation Fund and one permanent position in 2024-25 and ongoing to accommodate unmet visitor services workload at SNO-Parks, as well as project backlogs and cost increases for ongoing contracts.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 50: Adventure Pass Program (TBL) (MR)

**Governor's Proposal.** The May Revision requests TBL to indefinitely extend the provisions related to the California State Park Adventure Pass to any child in grade 4, or grade 4 equivalent, who is a California resident.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Conform action to the final decision on the Proposition 98 package.**

### Issue 51: Division of Boating and Waterways Federal Alignment (TBL) (MR)

**Governor's Proposal.** The May Revision requests TBL to, among other things, redefine "personal watercraft," as specified; prohibit a person from operating a personal watercraft with an engine cut-off switch, as specified; prohibit a person from operating from operating a recreational vessel underway with a child under 13 years of age onboard unless certain conditions are met; shortens

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

### Issue 52: Angel Island State Park: Ferry Service (TBL) (Legislative Proposal)

**Governor's Proposal.** The Legislature proposes TBL authorizing Parks to negotiate a service contract with an entity qualified to do business in the state as a ferry operator, for the transport of passengers via ferry service between the City of Tiburon and Angel Island State Park.

**Staff Recommendation. Approve as proposed.**

## 3820 San Francisco Bay Conservation and Development Commission (SF BCDC)

### Issue 53: Department of Justice (DOJ) Legal Costs (MR)

**Governor's Proposal.** The May Revision requests $434,000 General Fund in 2024-25 and $170,000 General Fund annually thereafter to cover increased DOJ litigation costs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3860 Department of Water Resources (DWR)

**Issue 54: Urban Flood Risk Reduction Projects (GB)**

**Governor's Proposal.** The Governor's budget requests to appropriate $33 million General Fund in 2024-25 for urban flood risk reduction projects carried out in collaboration with US Army Corps of Engineers. Of the total, $23 million is the required state share of cost and $10 million is for associated state operations costs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 18, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 55: Central Valley Systemwide Flood Risk Reduction Multi-Benefit Projects (GB)**

**Governor's Proposal.** The Governor's budget requests to appropriate $31.3 million General Fund in 2024-25 through the Central Valley Systemwide Flood Risk Reduction Program for multi-benefit projects that also are part of the State Plan of Flood Control. These particular projects are state-funded, although one project likely can also draw down $10 million in federal funds from the Bureau of Reclamation.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 18, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 56: Central Valley Flood Protection Board (CVFPB) – Funding for Current Operations (BCP) and the Flood Risk Management Fund (BCP and TBL) (MR)**

**Governor's Proposal.** The May Revision requests $2.088 million General Fund and $1.6 million Flood Risk Management Fund in 2024-25 to support current operations and $3.888 million General Fund and $300,000 Flood Risk Management Fund annually thereafter. This funding is intended to support existing staff who implement CVFPB's regulatory programs.

The May Revision requests TBL to expand the types of actions that moneys in the Flood Risk Management Fund may be expended by the board to any type of service for which it charges fees pursuant to Water Code Section 8535.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted and TBL.**

**Issue 57: Salton Sea Restoration Federal Authority (MR)**

**Governor's Proposal.** The May Revision requests a total of $50 million Federal Trust Fund Authority in 2024-25 for funding received from the US Department of Interior fund in the Inflation Reduction Act: Public Law 117-169.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

# ENVIRONMENTAL PROTECTION

## 0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
## 3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
## 3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
## 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

### Issue 58: CalEPA Bonds and Technical Proposals (MR)

**Governor's Proposal.** The May Revision requests various bond appropriations, reappropriations, and reversions; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
## 3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
## 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
## 3970 CALIFORNIA DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

### Issue 59: CalEPA Chaptered Legislation Proposals (MR)

**Governor's Proposal.** The May Revision requests resources from the General Fund and special funds to implement statutory requirements associated with legislation chaptered in 2023, as follows:

a) ***CARB: AB 585 (Robert Rivas and Petrie-Norris), Chapter 336, Statutes of 2023: Clean Energy Projects Assessment***. Three positions and $684,000 Air Pollution Control Fund (APCF) in 2024-25; $899,000 APCF in 2025-26; $681,000 in 2026-27 and ongoing. This bill requests the California Council on Science and Technology (CCST) to perform a triennial literature review to assess the infrastructure projects necessary to achieve the quantities of renewable energy, and the distribution and transmission networks necessary, to achieve the state's energy, climate change, and air quality goals. Also, this bill requires the Governor's Office of Business and Economic Development (GO-Biz) to prepare an assessment of barriers limiting the deployment of clean energy projects by January 1, 2026.

b) ***CARB: AB 1594 (Garcia), Chapter 585, Statutes of 2023: Zero Emission Vehicles for Public Agency Utilities.*** One position and $220,000 Cost of Implementation Account (COIA), APCF in 2024-25; and $219,000 COIA, APCF in 2025-26 and ongoing. This bill requires any state regulation that seeks to require the procurement of medium- and heavy-duty zero-emission vehicles (ZEVs) to authorize public agency utilities to purchase replacements for traditional utility-specialized vehicles that are at the end of life, as determined by CARB, in consultation with public agency utilities, when needed to maintain reliable service and respond to major foreseeable events, including severe weather, wildfires, natural disasters, and physical attackers, as specified.

c) ***DPR: AB 1016 (Jones-Sawyer), Chapter 354, Statutes of 2023: Private Unmanned Pest Control Aircraft Certification.*** 2.5 positions and $436,000 DPR Fund in 2024-25 and ongoing. This bill expands DPR's authority to create training programs for drone aerial applicator licensing independent of the existing journeymen/apprenticeship requirements.

d) ***DPR: AB 652 (Lee), Chapter 662, Statutes of 2023: DPR Environmental Justice Advisory Committee***. Two positions and $580,000 DPR Fund in 2024-25 and ongoing. This bill requires DPR to convene an Environmental Justice Advisory Committee by July 1, 2025, with specified membership that would provide recommendations to DPR to integrate environmental justice considerations into DPR's programs, policies, decision making, and activities.

e) ***SWRCB: AB 664 (Lee), Enforcement Support for At-Risk Domestic Well Compliance.*** Three positions and $450,000 Safe Drinking Water Account in 2024-25 and ongoing. This bill requires the owner of any domestic well that serves a rental property and is located within a consolidation or extended service area, if the owner does not provide written consent, to ensure that tenants of rental properties served solely by that domestic well have access to adequate supply of safe drinking water.

f) ***SWRCB: AB 876 (Robert Rivas), Chapter 816, Statutes of 2023: Pajaro River Flood Risk Management Project.*** One position and $225,000 in 2024-25 and ongoing. This bill exempts state and local approvals of the Pajaro River Project from specified waste discharge permit and lake and streambed alteration agreement requirements. Also, this bill declares that the environmental assessment previously prepared for the project by the US Army Corps of Engineers satisfies the requirements of the California Environmental Quality Act.

g) ***SWRCB: SB 3 (Dodd, et al.), Chapter 855, Statutes of 2023: Water Shut-Off Protection Expansion.*** Five positions and $1.625 million Safe Drinking Water Account (SDWA) in 2024-25 and $1.375 million SDWA in 2025-26 and ongoing. This bill eliminates the exemption for water systems that serve less than 200 connections (but at least 15 service connections) from statutes and policies related to water service shutoffs due to nonpayment.

h) ***SWRCB: SB 745 (Cortese, et al.), Chapter 884, Statutes of 2023: Update to Onsite Treatment and Reuse of Nonpotable Water Regulations.*** $650,000 General Fund in 2024-25 and $450,000 General Fund in 2025-26 and 2026-27. This bill requires the California Building Standards Commission (BSC) and the Department of Housing and Community Development to develop and propose new mandatory building standards related to water efficiency. SWRCB will coordinate with BSC in the development of guidance documents and a model local ordinance to assist local jurisdictions establish programs for onsite nonpotable water treatment systems.

i) ***CalRecycle: AB 1526 (Committee on Natural Resources), Chapter 848, Statutes of 2023: Aerosol Spray Paint Inclusion Within Extended Producer Responsibility Program.*** Two positions and $261,000 Architectural Paint Stewardship Account (APSA) in 2024-25 and $670,000 APSA in 2025-26 and ongoing. This bill, among other things, adds aerosol paint to the

Architectural Paint Recovery Program.

j) ***CalRecycle: AB 1548 (Hart), Chapter 693, Statutes of 2023: Recycling Infrastructure Project Grants.*** One position and $135,000 GGRF in 2024-25 and ongoing. This bill adds specificity on the types of projects that are eligible for CalRecycle's grant program that provides financial assistance to promote the development of organic waste infrastructure and waste reduction programs.

k) ***CalRecycle: SB 613 (Seyarto), Chapter 878, Statutes of 2023: Expansion of Low Population of Waiver Within Organic Waste Recycling Law.*** One position and $171,000 in 2024-25 and ongoing. This bill creates a waiver for low-population local jurisdictions and exempts those jurisdictions from SB 1383 organics waste diversion goals until December 31, 2028, if they do not already have another, specified waiver. (SB 1383 (Lara), Chapter 395, Statutes of 2016)

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted.**

## 3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

**Issue 60: Sustainable Funding for Pest Management at DPR (BCP & TBL) (GB)**

**Governor's Proposal.** According to the LAO:

The Governor proposes several changes to increase revenues into the DPR Fund which would generate a total of $30.4 million of new revenues in 2024-25 (growing to $43.9 million in future years). Of this amount, $9.8 million would address the structural deficit and $17.8 million would be used to expand programs and activities (growing to $32.5 million). The increased revenues would be generated by: (1) increasing the mill assessment ($22.1 million in 2024-25, growing to $33.8 million), (2) increasing registration fees through regulations ($6.3 million in 2024-25, growing to $7.2 million), and (3) increasing licensing fees through regulations ($2 million in 2024-25, growing to $2.9 million). The proposal also would provide $717,000 from the GGRF on an ongoing basis to support additional programmatic expansions for the department.

***Includes Several Policy Changes.*** The Governor proposes TBL that would make several changes, including the following:

- Changes mill assessment payer responsibility.
- Extends statute of limitations for mill assessment payment violations found in audits.
- Extends statute of limitations for pesticide use violations.
- Authorizes DPR to enforce the state's laws on out-of-state pesticide dealers.
- Exempts Emergency Pesticide Use Authorizations From California Environmental Quality Act (CEQA) Review.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on March 14, 2024.

**Staff Comment.** As noted previously, AB 2113 (Garcia) is a policy bill based on this TBL — both of which have substantial, substantive policy impacts. AB 2113 is currently being vetted through the legislative policy committee process and has been amended multiple times since its introduction. The bill is currently in the Senate. In order to avoid confusion and to allow for more transparency and public participation, it would be prudent to continue vetting this proposal through AB 2113 and the policy committee process before taking any budget action.

**Staff Recommendation. Reject the $717,000 ongoing GGRF appropriation. Reject without prejudice the trailer bill language. Approve BCP contingent upon passage of, and conforming, to AB 2113.**

## 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

### Issue 61: Resource Needs to Address Impacts on Project Permitting Resulting from Recent Supreme Court Decisions (*Sackett Ruling)* (GB)

**Governor's Proposal.** The Governor's budget requests $6.1 million from the Waste Discharge Permit Fund (WDPF) in 2024-25 then $7 million annually thereafter, and 38 permanent positions phased in over two years, 26 positions in 2024-25 and an additional 12 positions beginning in 2025-26. This request includes $1.1 million in one-time contract funds for Information Technology (IT) services, $200,000 in one-time contract funds and $35,000 in ongoing contract funds for staff training.

The requested resources would be used to conduct essential water quality permitting and enforcement work that has historically been conducted by the US Army Corps of Engineers (Corps) and the US Environmental Protection Agency (US EPA) but will no longer be, due to a 2023 US Supreme Court Decision that reduces federal jurisdiction over a number of waterbodies. The recent reinterpretation through the *Sackett Ruling* of what qualifies as waters of the United States significantly narrows the scope of federal jurisdiction, and the SWRCB and regional water quality control boards (collectively, the Water Boards) will need to restructure their programs to replace lost federal services and provide state protection where federal protections no longer apply.

In many cases the state processes are less efficient and more resource intensive than the lost federal protections. This BCP would provide staff and contract resources that would help the Water Boards independently manage the workload that was historically shared with the Corps; and make the transition to being the sole regulator of discharges of pollutants to these waterbodies.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on March 14, 2024.

**Staff Recommendation. Approve 26 positions and $4.7 million from the Waste Discharge Permit Fund in 2024-25 and ongoing. Reject the requested additional 12 positions and $2.3 million beginning in 2025-26. Approve $1.1 million contract funds in 2024-25 for IT services and $235,000 in contract funds in 2024-25 and $35,000 in contract funds in 2025-26 and ongoing for staff training. Add placeholder budget bill language to provide reporting requirements related to the impacts of the *Sackett Ruling* on SWRCB.**

### Issue 62: Administrative Hearings Office Special Project (MR)

**Governor's Proposal.** The May Revision requests $1.1 million Water Rights Fund and four permanent positions ongoing to expedite a adjudicative hearings for significant water storage and conveyance projects. The four proposed positions are intended to preside over and support adjudicative hearings and pre-hearing conferences, provide technical analyses, review and respond to public comments, participate in SWRCB meetings and briefings, draft recommended orders and decisions, and present recommended orders to the Board.

**Staff Recommendation. Approve as budgeted.**

### Issue 63: Los Angeles County Primacy Delegation Agreement Termination (MR)

**Governor's Proposal.** The May Revision requests $881,000 Safe Drinking Water Account ongoing and four permanent positions to carry out the public small water system regulatory program fro Los Angeles County. The county's primacy delegation will be terminated by June 30, 2024, per request of the county and oversight of the delegated public water systems is in the process of being transferred to SWRCB.

**Staff Recommendation. Approve as budgeted.**

### Issue 64: Leviathan Mine Pond Water Treatment System Improvements and Leviathan Mine Transfer of Title (BCP and TBL) (MR)

**Governor's Proposal.** The May Revision requests $3.7 million General Fund one-time in 2024-25 to pay for criminal performance, efficiency, and safety improvements to the aging Leviathan Mine Pond Water Treatment System. Of this amount, $200,000 will be used to support the Department of General Services to effectuate a title transfer of the Leviathan Mine site from the State to Atlantic Richfield Company. It is also requested to revert $5.163 million originally appropriated for the Leviathan Creek Diversion Channel Relining project. If the possible transfer of ownership of the site is realized, potential future liability for the state will be reduced significantly because the state will no longer be a property owner.

The May Revision includes TBL authorizing the Department of General Services to convey all or a p[oertion of the Leviathan Mine Site to any entity if the Director determines that the conveyance is in the best interest of the state; and requires the net proceeds from the disposition of the site be deposited into the Deficit Recovery Bond Retirement Sinking Fund Subaccount.

**Staff Recommendation. Approve as budgeted.**

### Issue 65: Underground Storage Tank Cleanup Fund Augmentation (MR)

**Governor's Proposal.** The May Revision requests the following:

- An additional $100 million Underground Storage Tank Cleanup Fund (USTCF) with three years to encumber and three years to liquidate for reimbursing costs associated with the cleanup of contamination from leaking petroleum underground storage tanks. The requested increase of $100 million in authority is in addition to the existing assistance authority of $80.9 million.

- A transfer of $15 million in 2024-25 from the USTCF to the Orphan Site Cleanup Fund (OSCF) with an encumbrance period of three years and a liquidation period of three years for reimbursing costs associated with the cleanup of sites contaminated by leaking petroleum underground storage tanks where there is no financially responsible party, and the applicant is not an eligible claimant to the USTCF.

**Staff Recommendation. Approve as budgeted.**

**Issue 66: Amendment to Federal Trust Fund Authority for Emerging Contaminants (TBL) (MR)**

**Governor's Proposal.** The May Revision requests TBL authorizing SWRCB, upon appropriations of funds by the Legislature, to provide grants and direct expenditures to public water systems that serve small or disadvantaged communities to address emerging contaminants in those communities, consistent with the federal grant terms, as provided.

**Staff Recommendation. Approve as budgeted.**

## 3960 Department of Toxic Substances Control (DTSC)

**Issue 67: Board of Environmental Safety (BES): Baseline Level of Service Increase (GB)**

**Governor's Proposal.** The Governor's budget requests $331,000 in 2024-25 and ongoing, split between the Hazardous Waste Control Account (HWCA) and the Toxic Substances Control Account (TSCA), to increase baseline funding and reclassify six BES staffing positions to permanent. These upgraded staff members are intended to better support board members across the various BES responsibilities identified in SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021, which include:

- Consult with the Director to develop a multi-year schedule to improve DTSC performance in hazardous waste management, site mitigation, and enforcement;
- Adopt clear performance metrics for DTSC;
- Conduct an analysis of DTSC programs and the Cleanups in Vulnerable Communities Initiative;
- Hear and decide hazardous waste permit appeals;
- Provide opportunities for public hearings on individual sites;
- Approve (in 2025 and every three years) a statewide hazardous waste management plan;
- Advance environmental justice in historically disadvantaged communities;
- Conduct an analysis of the fee structure supporting DTSC; and
- Adopt a fee rate schedule by October 1 of each year.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on March 14, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 68: Hazardous Waste Control Account (HWCA): Generation and Handling Fee Shortfall Solutions (BCP and TBL) (MR)**

**Governor's Proposal.** The May Revision requests a total of $750,000 in 2024-25 and ongoing (including a net reduction of $4.6 million Hazardous Waste Control Account (HWCA) and increases of $5.3 million ongoing from various funds including: $5.014 million Toxic Substances Control Account (TSCA), $284,000 Lead-Acid Battery Cleanup Fund, and $28,000 Mercury Thermostat Collection Program Fund.

The May Revision requests to add authority to forgive a $15 million loan that was previously made from TSCA to HWCA.

The May Revision requests TBL intended to improve oversight, increase fee payer compliance, and provide more consistent use of statutory exemptions.

These changes are intended to ensure an equitable distribution of costs among the regulated community.

**Staff Recommendation. Approve as budgeted and approve portion of proposed TBL that clarifies exemptions and authorizes emergency rulemaking authority to implement exemption review process. Reject other proposed trailer bill provisions without prejudice until review and discussion in policy committees later this summer.**

### Issue 69: Exide Cost Recovery Litigation – Continued Funding (MR)

**Governor's Proposal.** The May Revision requests $4 million Lead-Acid Battery Cleanup Fund over two years, which includes $1 million in 2024-25 and $3 million in 2025-26 to support DTSC's ongoing cost recovery litigation efforts against parties responsible for contributing contamination from the former Exide Technologies facility in the City of Vernon.

**Staff Recommendation. Approve as budgeted.**

### Issue 70: Vulnerable Community Clean-Up General Fund Solution (TBL) (GB)

**Governor's Proposal.** The Governor's budget requests trailer bill language to allocate an $822.4 million appropriation over five fiscal years, as prescribed, for specified purposes. The proposal also requires the Board of Environmental Safety to include 2025-26 and 2026-27 in its analysis of the expenditure funds allocated by the department for those specified purposes.

**Staff Recommendation. Conform proposed TBL to the GGRF Expenditure Plan and General Fund Solutions Package.**

## 3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

### Issue 71: Beverage Container Recycling Grants Program Staffing (GB)

**Governor's Proposal.** The Governor's budget requests position authority only for six new permanent ongoing positions in 2024-25 to implement and manage the grant programs under SB 1013 (Atkins), Chapter 610, Statutes of 2022, and AB 179 (Ting), Chapter 249, Statutes of 2022.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on April 11, 2024.

**Staff Recommendation. Approve as budgeted.**

**Issue 72: Withdrawal of Proposed Loan from the California Beverage Container Recycling Fund (BCRF) Loan to the General Fund (MR)**

**Governor's Proposal.** The May Revision requests to withdraw a proposed loan in the Governor's budget proposal, along with a one-year repayment deferral of an existing $25 million budgetary loan, from BCRF to the General Fund.

**Date Originally Heard.** This issue was heard in Subcommittee 2 on May 15, 2024.

**Staff Recommendation. Approve as budgeted (withdrawal).**

# FOOD & AGRICULTURE

## 8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

### Issue 73: Blythe Border Protection Station Replacement

**Request.** The Governor's budget requests $99.3 million Public Buildings Construction Fund for the California Department of Food and Agriculture to begin the construction phase for the Blythe Border Protection Station Replacement Project.

This issues was heard in Subcommittee No. 2 on March 14, 2024.

**Staff Recommendation.** Approve as budgeted.

### Issue 74: Emergency Invasive Fruit Fly Response – May Revision

**Request.** The May Revision requests $25 million General Fund and $28 million Federal Trust Fund authority one-time, for CDFA, for the response to infestations of exotic fruit flies.

**Staff Recommendation.** Approve as budgeted.

### Issue 75: Broomrape Program, AB 402 – May Revision

**Request.** The May Revision requests seven permanent positions in 2024-25 and ongoing to perform the research, outreach, survey, treatment, and assessment activities related to Broomrape, as required by AB 402 (Aguiar-Curry, Chapter 651, Statutes of 2023).

**Staff Recommendation.** Approve as budgeted.

**Senator Josh Becker, Chair**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Tuesday, May 30, 2024**
**Upon Adjournment of Session**
**1021 O Street - Room 2200**

# PART B

Consultant: Eunice Roh

**Item** **Department** **Page**

## VOTE-ONLY

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## 3355 Office of Energy Infrastructure Safety

### Issue 1: Ongoing Funding for Core Contracts and Information Technology Resources

**Governor's Proposal.** The Governor's Budget includes $3,151,000 ($3,021,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) and $130,000 from the Safe Energy Infrastructure and Excavation Fund (SEIEF)) in 2024-25 and ongoing for information technology and contracting resources. More specifically, the request includes the following:

- $201,000 for 1.0 Information Technology (IT) Specialist II to develop and manage the various applications for the department.
- $450,000 for an Ongoing Ticketing System Managed Services Contract to maintain and support the Department's new IT ticketing system environment.
- $500,000 for permanent contract support to conduct the annual maturity model survey analysis.
- $500,000 for permanent contract support to conduct required independent safety culture assessment workforce surveys performed as part of the annual safety culture assessment for each electrical corporation.
- $1,500,000 for permanent contract support to conduct the statutorily required annual independent audit of nine electrical corporations' vegetation management activities.

According to the department, these resources are necessary to support and maintain IT systems key for operations as well as to conduct work that requires subject matter expertise not available within the department. The Administration does not expect any fee changes to be necessary for the PUCURA or SEIEF funds as a result of this proposal.

**Staff Recommendation.** Approve as budgeted.

## 3360 Energy Resources Conservation and Development Commission

### Issue 2: 2023 California Vehicle Survey Supplemental Funding

**Governor's Proposal.** The Governor's Budget includes $200,000 in reimbursement authority to allow the California Energy Commission (CEC) to receive funding from the California Department of Transportation (Caltrans) to support the California Vehicle Survey (CVS). The survey collects information about California consumers' preferences for different types of vehicles. CEC uses this information to build their transportation energy demand forecasting and assessment, which supports their energy demand, planning, and policy assessment for the state. Caltrans also uses the survey to meet some of their vehicle and travel data needs. This funding will support CEC to complete survey design; execute the survey and collect survey data; conduct analysis of survey data to ensure data quality; and develop a final report for publication. In previous budgets, CEC has received $600,000 over three years for the survey in 2006 and 2014.

**Staff Recommendation.** Approve as budgeted.

## Issue 3: Technical Assistance Support for Building Standards

**Governor's Proposal.** The Governor's Budget includes $497,000 ongoing from the Cost of Implementation Account for three positions to provide technical assistance regarding the California's Energy Code. More specifically, the request includes the following:

- One Associate Energy Specialist for the Standards Development Unit, to provide assistance to local jurisdictions seeking to adopt local ordinances and codes that exceed the current California Energy Code. These types of requests have increased more than 120 percent over the last three years, and is expected to continue to increase.
- One Energy Commission Specialist 1 for the Standards Tools Development Unit, to support compliance modeling and analysis; draft compliance forms; lead public-private partners to develop alternative compliance pathways; and provide technical assistance with compliance software and documents.
- One Electric Generation System Specialist for the Outreach and Education Unit, to lead the Energy Standards Hotline team as well as provide outreach, education, and technical assistance to various stakeholders. Currently, the Title 24 hotline receives 195 inquires each week, and has 1900 inquires in the backlog queue. As a result, response times are on average three and a half months for emails and six months for phone inquiries.

The department reports these additional positions are necessary to address the increasing requests for technical assistance, applications for review, and growing complexity of the California Energy Code.

**Staff Recommendation.** Approve as budgeted.

## Issue 4: Energy Resources Programs Account (ERPA) Structural Deficit Relief Trailer Bill Language

**Governor's Proposal.** The Governor's Budget includes trailer bill language that raises the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to behind-the-meter (BTM) electricity consumption.

**Background.** ERPA is the main fund supporting the CEC. The primary source of revenue for ERPA is a surcharge on retail electricity sales, which is currently set to the statutory maximum of $0.0003 per kWh. This surcharge generated $71.6 million in 2022-23. On average, a California ratepayer pays about 16 cents per month for the surcharge—or about $2 annually.

According to the administration, the current level of revenues generated by this surcharge is insufficient to support CEC sustainably. In 2024-25, the Governor's Budget includes $95.7 million in expenditures from ERPA, which continues a structural deficit in the fund. Without action, ERPA is projected to become insolvent in 2027-28.

**Energy Resources Program Account (ERPA) Fund Condition**
**(dollars in thousands)**
**2024-25 Governor's Budget**

| | Past Year - 1 21-22 | Past Year 22-23 | CY 23-24 | BY 24-25 | BY +1 25-26 | BY +2 26-27 | BY +3 27-28 | BY +4 28-29 |
|---|---|---|---|---|---|---|---|---|
| **BEGINNING RESERVES** | $91,874 | $100,540 | $86,410 | $63,088 | $44,710 | $26,332 | $12,227 | -$1,878 |
| **REVENUES & TRANSFERS** | | | | | | | | |
| *Revenues* | | | | | | | | |
| Revenue | $69,450 | $71,691 | $71,702 | $77,333 | $77,333 | $77,333 | $77,333 | $77,333 |
| **Total Resources** | **$161,324** | **$172,231** | **$158,112** | **$140,421** | **$122,043** | **$103,665** | **$89,560** | **$75,455** |
| **EXPENDITURES** | | | | | | | | |
| *Baseline Support Expenditures* | | | | | | | | |
| Energy Resources Conservation and Development Commission - Base Budget | $54,839 | $75,064 | $82,845 | $83,278 | $83,278 | $83,278 | $83,278 | $83,278 |
| Other Departments Including Pro Rata | $5,945 | $6,457 | $7,879 | $8,160 | $8,160 | $8,160 | $8,160 | $8,160 |
| SB 84 Loan Repayment | $0 | $4,300 | $4,300 | $4,273 | $4,273 | $0 | $0 | $0 |
| **Total, Support Expenditures** | **$60,784** | **$85,821** | **$95,024** | **$95,711** | **$95,711** | **$91,438** | **$91,438** | **$91,438** |
| **Expenditure Total** | **$60,784** | **$85,821** | **$95,024** | **$95,711** | **$95,711** | **$91,438** | **$91,438** | **$91,438** |
| **FUND BALANCE** | **$100,540** | **$86,410** | **$63,088** | **$44,710** | **$26,332** | **$ 12,227** | **$ (1,878)** | **$ (15,983)** |
| **Fund balance falls below prudent reserve (approximately $20 million).** | | | | | | | | |
| **ERPA Surcharge TBL Proposal - Additional Revenue** | | | | | | | | |
| Residential BTM Surcharge | $0 | $0 | $0 | $2,243 | $4,486 | $4,486 | $4,486 | $4,486 |
| Non-utility Generation Facility BTM Surcharge | $0 | $0 | $0 | $1,024 | $2,048 | $2,048 | $2,048 | $2,048 |
| Utility Scale Generation | | $0 | $0 | $1,675 | $3,351 | $3,351 | $3,351 | $3,351 |
| Total | | | | $4,942 | $9,885 | $9,885 | $9,885 | $9,885 |
| **New Fund Balance with BTM Revenue only** | | | | **$49,652** | **$36,217** | **$22,112** | **$ 8,007** | **$ (6,098)** |
| **Fund balance falls below prudent reserve (approximately $20 million).** | | | | | | | | |

Source: Department of Finance

The administration reports that this imbalance between revenue and expenditures stem from a variety of factors. First, one factor is the growing capacity of BTM rooftop solar, wind, and non-utility generation. Because the ERPA surcharge only applies to retail electricity sales, revenues are expected to decrease as BTM makes a growing share of the total electricity consumption. Although transportation, building, and other forms of electrification is expected to increase electricity consumption in the coming years, the administration claims that the growth of ERPA expenditures currently outpace the growth of electricity consumption.

Second, the scope of CEC's roles and responsibilities have grown in the last several years, as clean energy, electrification, and energy reliability have become key in reaching the state's climate change goals. For example, ERPA expenditures grew about $6.5 million in 2023-24, in part to implement legislation, such as SB X1-2, SB 1158, and SB 1112.

To address this structural deficit, the Governor's Budget includes trailer bill that would, beginning January 1, 2025: (1) adjust the surcharge cap to $0.00066 per kWh; (2) tie the surcharge cap to the Consumer Price Index; and (3) apply the ERPA surcharge to BTM energy consumption.

If approved, the administration expects the revenues to ERPA to increase by $9.8 million from extending the surcharge to BTM. About $4.5 million of this revenue will come from the approximately 1.66 million residential BTM customers who, on average, would see a monthly bill increase of about 23 cents per month. About $2 million will come from non-residential locations with solar generation and $3.4 million will come from utility scale generation.

The administration is not proposing to increase the surcharge until ERPA dips below a prudent reserve—which according to the department, is approximately $20 million. Each year, the CEC will forecast the impact of projected expenditures (including the cost of new mandates, salary increases, etc.) on the fund balance. If those projections show the ERPA fund balance would drop below the prudent reserve in the upcoming year, the CEC would propose a surcharge increase for adoption at a November Commission business meeting sufficient to maintain the reserve – consistent with Revenue and Taxation Code section 40016(b).

**Staff Recommendation.** Reject the Governor's proposal.

**Issue 5: Adjusted Staffing and Contract Resources for Division of Petroleum Market Oversight**

**Governor's Proposal.** The May Revision includes $493,000 from the Energy Resources Programs Account (ERPA) in 2024-25 and ongoing to hire more specialized staff and fund contracting services. In 2023-24, the Division of Petroleum Market Oversight (DPMO) received $2.048 million for ten positions. DPMO now requests $231,000 ongoing to adjust the classifications of those ten positions, to hire individuals with specialized backgrounds. In addition, DPMO requests $240,000 ongoing for contracting services, specifically for consulting experts in the California fuels industry.

**Staff Recommendation:** Approve as budgeted.

**Issue 6: Chapter 360, Statutes of 2023 (AB 1172): Integrated Energy Policy Report: Fusion**

**Governor's Proposal.** The May Revision includes two years of limited-term of funding at $201,000 per year (total of $402,000) from the Energy Resources Programs Account (ERPA) to support CEC staffing needs to complete the requirements outlined in AB 1172 (Chapter 360, Statutes of 2023). AB 1172 requires the Energy Resources Conservation and Development Commission (CEC) to include an assessment of the future potential for fusion energy to contribute to California's power supply as part of the 2027 Integrated Energy Policy Report (IEPR). CEC requests $201,000 annually for two years for one Electric Generation System Specialist (EGSS I) position to support the technical analysis and development of the report.

**Staff Recommendation:** Approve as budgeted.

**Issue 7: Chapter 379, Statutes of 2023 (SB 49): Renewable Energy: Department of Transportation Evaluation**

**Governor's Proposal.** The May Revision includes $110,000 from the Energy Resources Programs Account (ERPA) to support the Department of Transportation (Caltrans) in developing an evaluation of the issues and policies impeding development of land within department-owned rights-of-way as renewable energy generation facilities, energy storage facilities, and electrical transmission and distribution facilities and submit to the legislature on or before December 31, 2025, as required by Chapter 379, Statutes of 2023 (SB 49, Becker). CEC requests contract expert technical support to complete these new requirements to support the development of the evaluation, including geospatial evaluation and contributing technical expertise to the evaluation.

**Staff Recommendation:** Approve as budgeted.

**Issue 8: Chapter 390, Statutes of 2023 (SB 319): Electricity: Transmission Planning and Permitting**

**Governor's Proposal.** The May Revision includes $225,000 ongoing from the Energy Resources Programs Account (ERPA) for one permanent position at the Electric Generation System Program Specialist I classification to supplement staff resources to develop and maintain the Guidebook required by Chapter 390, Statutes of 2023 (SB 319, McGuire). SB 319 requires new work for the CEC to develop an Electrical Transmission Infrastructure Development Guidebook, jointly with the California Public Utilities Commission (CPUC) and the California Independent System Operator (CAISO,) that describes the state's electrical transmission infrastructure planning and permitting processes for distribution and high-voltage transmission. The development of the Guidebook must include an opportunity for stakeholder input and an opportunity for public comment. The Guidebook is due by July 1, 2025.

**Staff Recommendation:** Approve as budgeted.

**Issue 9: Chapter 405, Statutes of 2023 (SB 605): Wave and Tidal Energy**

**Governor's Proposal.** The May Revision includes $701,000 from the General Fund in 2024-25 and $201,000 from the General Fund in 2025-26 and ongoing to complete the analysis and studies required in Chapter 405, Statutes of 2023 (SB 605). SB 605 requires the CEC to complete a comprehensive analysis on wave and tidal energy resources to be included in the CEC's 2024 Integrated Energy Policy Report, plus additional studies in coordination with other state and federal agencies to be submitted to the Governor and the Legislature by January 1, 2025. CEC requests one Electric Generation Systems Specialist I to evaluate wave and tidal electric generation methods, analyze potential environmental and economic impacts, prepare and analyze data, and consult with other division staff, state agencies, and parties as required by SB 605. In addition, CE C requests $500,000 for technical support to complete a comprehensive wave and tidal study and report for the Governor and Legislature. Contracted support funds will provide staff access to technical experts and subject matter experts necessary to complete the studies.

**Staff Recommendation:** Approve as budgeted.

**Issue 10: Federal Funding Expenditure Authority**

**Governor's Proposal.** The May Revision includes $390 million in federal expenditure authority and reimbursement authority to administer federal funding opportunities from the federal Inflation Reduction Act and Infrastructure Investment and Jobs Act (IIJA), including:

- Home Energy Performance-Based, Whole-House Rebates (HOMES Rebates, IRA Section 50121) - $292 million
    - CEC plans two program approaches for HOMES in California: first, CEC will allocate a portion of HOMES funding to the CEC's Equitable Building Decarbonization (EBD) Direct Install program, expanding the number of low-income households that will be served and allowing for administrative efficiencies.

  - Second, CEC will allocate a portion of funding toward a "Pay for Performance" program, through which incentives will be based on actual measured energy savings. Both approaches will have a building decarbonization focus and contribute toward the state's goal of installing 6 million heat pumps.

- State-Based Home Energy Efficiency Training for Residential Energy Contractors (TREC) (TREC Grants, IRA Section 50123) - $10 million

  - The CEC will administer the $4,522,300 in EECBG funds as follows: $2,713,380 (60%) will be available for grant awards through the Local Government Building Decarbonization Challenge (LGBDC) for local governments that were not eligible for a direct EECBG allocation from the DOE; $1,356,690 (30%) will be available for grant awards through the LGBDC for all California local governments; and $452,230 (10%) will be used by the CEC to cover administrative costs associated with the LGBDC program.

- Funding to Support Adoption of the Latest Model Energy Codes or Zero Energy Codes (IRA section 50131) - $17.8 million

  - The CEC plans to use approximately $6.8 million to create a revolving loan fund program for K12 schools. The program funds will be utilized to fund energy efficiency, building decarbonization, and renewable energy projects. The loans will be provided at zero percent interest for no more than 15 years. The loans will be repaid using the energy dollar savings the schools will attain once projects are completed.

- Energy Efficiency Revolving Loan Fund (EERLF) Capitalization Grant Program (IIJA section 40502) - $6.8 million

  - The CEC plans to obtain approximately $10 million to develop competitive grants for organizations to train, test, and certify residential energy efficiency and electrification contractors. The goals of this program are to reduce the cost of training contractor employees, provide testing and certifications of contractors trained and educated, and to partner with nonprofit and labor organizations to develop and implement a state-sponsored workforce program that delivers the local workforce necessary to deploy heat pumps and other key residential electrification and efficiency technologies in low-income and disadvantaged communities.

- Energy Efficiency & Conservation Block Grant (EECBG) Program (IIJA 40552) - $4.5 million

  - The CEC anticipates receiving up to $17.8 million and plans to conduct a detailed and comprehensive Energy Code compliance rate study to (1) establish the current order of magnitude of the value of Energy Code compliance to the state of California, and (2) identify and prioritize the specific policy prescriptions and associated actions that could be implemented to increase compliance with the Energy Code.

- EV Charger Reliability and Accessibility Accelerator (EVC RAA) -$63.7 million
    - The EV Charger Reliability and Accessibility Accelerator (EVC RAA) aims to improve reliability of existing electric vehicle infrastructure by funding the repair and replacement of existing, publicly accessible non-operational chargers across the United States. Caltrans, in partnership with the CEC, applied for EVC RAA grant funding in November 2023, and was subsequently awarded $63.7 million in one-time funding on January 2024. This funding will be used to repair, replace, and install at least 1,302 charging ports in California.

**Staff Recommendation:** Approve as budgeted.

**Issue 11: Flexible Resource Authority in Support of the Power Plant Licensing and Compliance Programs**

**Governor's Proposal.** The May Revision includes flexible resource authority from the Energy Facility Licensing and Compliance Fund to staff the California Energy Commission's multiple California Environmental Quality Act (CEQA) programs and support the Siting, Environmental, Engineering, and Safety and Reliability activities to process current and anticipated applications for certification, ensure compliance of a facility's CEC license, and successfully implement the new Opt-in expedited licensing program. These resources are necessary to comply with Chapter 61, Statutes of 2022 (AB 205), the Warren-Alquist Act's laws, ordinances, regulations, and standards, and implement the provisions of the CEQA. Flexible authority will allow the CEC to align resource deployment consistent with actual application and fee receipts.

**Staff Recommendation:** Approve as budgeted.

## 3860 DEPARTMENT WATER RESOURCES (DWR)

**Issue 12: Diablo Canyon Loan**

**Governor's Proposal.** The Governor's Budget includes a transfer of $400 million from the General Fund to the Diablo Canyon Extension Fund. Under this proposal, Department of Water Resources (DWR) will loan this amount to Pacific Gas & Electric (PG&E) to extend operations of the Diablo Canyon power plant facility.

**Background.**

*SB 846.* SB 846 (Dodd, Chapter 239, Statutes of 2022) included intent language that states the following: "It is the intent of the Legislature to make available a one billion four hundred million dollar ($1,400,000,000) loan from the General Fund to the Department of Water Resources for the purpose of being loaned to the borrower for extending operations of the Diablo Canyon powerplant facility, to dates that shall be no later than November 1, 2029, for Unit 1, and no later than November 1, 2030, for Unit 2. The Legislature intends to transfer an initial six hundred million dollars ($600,000,000) from the General Fund to the department. It is the intent of the Legislature that the remaining eight hundred million dollars ($800,000,000) shall require future legislative authorization before the transfer of funds."

This loan is intended to be primarily repaid with federal funds and excess operating revenues in the final year of operations.

SB 846 also included language regarding funding to be available in the following years, including:

- $5,000,000 General Fund for the California Energy Commission (CEC) and Public Utilities Commission (CPUC) for administrative programmatic workload, upon approval and order of the Director of Finance.
- $100,000,000 in 2023-24, $400,000,000 in 2024-25, and $500,000,000 in 2025-26 to support a Clean Energy Reliability Investment Plan, developed by CEC, in consultation with CPUC and the State Air Resources Board) for programs and projects that accelerate the deployment of clean energy resources, support demand response, assist ratepayers, and increase energy reliability.
- $10,000,000 in 2023-24 and $150,000,000 in 2024-25 to support a Land Conservation and Economic Development Plan developed by the Natural Resources Agency, in consultation with Labor and Workforce Development Agency and the Governor’s Office of Business and Economic Development, that supports environmental enhancements and access of Diablo Canyon power plant lands and local economic development in a manner that is consistent with existing decommissioning efforts.

*Prior Year Budgets.* The 2022 Budget Act included $600 million for the first installment of the loan to PG&E. The 2023 Budget Act included $400 million for the second installment of the loan. In addition, the 2023 Budget included $100 million for the Clean Energy Reliability Investment Plan—specifically, $33 million for community renewable energy, $32 million for central procurement function, $19 million for Demand Side Grid Support Program, $11 million for permitting and interconnection, $4 million for transmission studies, and $1 million for administrative costs. The 2023 Budget Act also included $10 million for economic development.

*2024 Governor’s Budget.* The Governor proposes to include the final $400 million for the Diablo Canyon loan in the 2024-25 budget. However, it is important to note that while the Governor’s Budget maintains a General Fund loan to PG&E to extend the operations of the Diablo Canyon power plant, the Governor proposes to delay $150,000,000 to support the Land Conservation and Economic Development Plan as well as $400,000,000 for the Clean Energy Reliability Investment Plan (CERIP), originally intended for 2024-25. This is primarily due to the condition of the General Fund. As part of Early Action, the Administration and the Legislature agreed to delay $110,000,000 for the Land Conservation and Economic Development Plan and $100,000,000 for CERIP from 2024-25.

*Status of Implementation.* DWR executed a loan agreement with PG&E to facilitate the extension of the DCPP operating period on October 18, 2022. This agreement includes the terms of the loan, such as use of funds, records, disbursements, repayment, as well as forgiveness. DWR then submitted a written expenditure plan to Finance and the Joint Legislative Budget Committee (JLBC) on November 7, 2023. Based on the expenditure plan, DWR states that PG&E fully committed the initial $350 million authorization in October 2023. (In addition, DWR received $17.5 million for their administrative costs, with regards to this loan.) Soon after, Finance received a request for the release of additional funding in the amount of $232.5 million from the DWR for the extension of the Diablo Canyon Power Plant (DCPP). On November 6, 2023, Finance provided a letter to JLBC notifying the approval of this additional $232.5 million General Fund loan.

On January 17, 2024, the US Department of Energy (DOE) announced the signing of the credit award and payment agreement with PG&E to finalize terms for $1.1 billion in credit payments via the Civil Nuclear Credit (CNC) Program for the Diablo Canyon Power Plant. The credits are slated to be paid in installments for a four-year period of performance from 2023 through 2026, with the amount of the annual payment to be adjusted based on a number of factors, including actual costs incurred to extend the operation of the Diablo Canyon Power Plant. The first payment of awards is slated for 2025 based on the operation of the Diablo Canyon Power Plant in 2023 and 2024.

On February 5, 2024 Finance provided another letter to JLBC, stating that Finance received a notification of the need for additional funding in the amount of $400 million from the DWR for the purpose of continuing to support the extension of the DCCP. Finance concurred, and notified JLBC of its impending approval. DWR estimates that as of January 2024, total PG&E estimated loan requirements, including actual expenditures, performance-based disbursements, and commitments, has exceeded the initial $600 million allocation.

**Staff Recommendation:** Reject the Governor's proposal.

# 3900 STATE AIR RESOURCES BOARD

**Issue 13: Advanced Clean Cars II ZEV Regulation Reporting Tool**

**Governor's Proposal.** The Governor's Budget includes $1,327,000 in 2024-25 and $185,000 ongoing from the Cost of Implementation Account to develop and maintain a reporting tool to track compliance with the Advanced Clean Cars (ACC) II Zero Emission Vehicles (ZEV) Regulation.

**Background.** ACC II aims to curb criteria, toxic further, and GHG emissions by increasing stringency of emission standards for internal combustion engine vehicles (ICEVs) as well as increasing stringency of ZEV sales requirements and associated requirements to support wide-scale adoption and use from 2026 to 2035 model years. To implement the regulation, CARB requests a reporting tool to track and analyze manufacturer information in a streamlined system. Currently, CARB uses the Zero Emission Vehicle Credit Reporting and Data Tracking System (ZEV CRDTS) to track the implementation and compliance with ACC I. However, this system is now ten years old and was not built to support the compliance needs of the ACC II regulation. As such, this request includes $1,142,000 in one-time funding for a contract for services to develop this reporting tool and $185,000 ongoing for one Information Technology Specialist II permanent position to maintain this reporting tool. If approved, CARB reports that such a tool will enable staff to provide clear, measurable metrics on various aspects of regulatory implementation, and assess regulatory efficacy and potential revisions in the future, providing accountability and transparency.

**Staff Recommendation.** Approve as budgeted.

## Issue 14: CARB Position Authority Adjustments

**Governor's Proposal.** The Budget includes $845,000 from the Air Pollution Control Fund (APCF) and $247,000 in reimbursement authority, both on an ongoing basis, to convert 16 expiring limited-term positions to permanent positions. Specifically, 11 of these positions are proposed to be funded with a portion of local assistance funding out of APCF to administer various incentive programs. The remaining five positions are proposed to be funded with reimbursements collected from other departments to support interdepartmental activities.

**Staff Recommendation.** Approve as budgeted.

## Issue 15: Chrome Plating Airborne Toxic Control Measure (Chrome Plating Amendments)

**Governor's Proposal.** The Governor's Budget includes $658,000 ongoing from the Air Pollution Control Fund (APCF) for three permanent Air Pollution Specialist positions to implement the amendments to the Chrome Plating Airborne Toxic Control Measure.

**Background.** Chrome plating is the electrical application of a coating of chrome onto a surface for decoration, corrosion protection, and durability. Chrome plating has both decorative uses on car parts, musical instruments, tools, plumbing fixtures, and furniture as well as functional uses to make surfaces wear-resistant and operate under extreme conditions on items such as hydraulic cylinders, rotors, bearings, agricultural equipment, and aircraft landing gears. Unfortunately, chrome plating operations result in emissions of the highly toxic compound hexavalent chromium, which has the potential to cause cancer. On May 2023, the California Air Resources Board adopted the amendments to the Chrome Plating Airborne Toxic Control Measure, which will eventually eliminate community exposure to hexavalent chromium from chrome plating operations by phasing out hexavalent chromium over time. The requested staff will support the implementation of such policy, through community engagement, compliance assistance, incentive funding development and administration, and comprehensive technology reviews as required by the regulation.

**Staff Recommendation.** Approve as budgeted.

## Issue 16: In-Use Off-Road Diesel-Fueled Fleets Regulation and Enforcement

**Governor's Proposal.** The Governor's Budget includes $1.1 million ongoing from the Air Pollution Control Fund for seven positions to implement and enforce amendments to the In-Use Off-Road Diesel-Fueled Fleets Regulation.

**Background.** Off-road vehicles are one of the larger sources of particulate matter (PM) and ozone-forming emissions today. In November 2022, CARB adopted the Off-Road Regulation Amendments, which requires fleets to phase out the operation of their oldest and highest-emitting off-road diesel vehicles, prohibits the addition of high-emitting vehicles to a fleet, and require the use of R99 and R00 renewable diesel in off-road diesel vehicles. The Amendments will also require contracting entities to obtain and retain a fleet's Certificate of Reported Compliance and contain other requirements to increase regulatory enforceability and clarity. The Amendments' first compliance dates begin on January 1, 2024. This request includes resources to implement and enforce the Amendments.

More specifically, CARB requests seven positions: 3.0 Air Pollution Specialist and 4.0 Air Resources Technician II positions, which are necessary to conduct and process an increase in fleet audits and field inspections; handle an increase in correspondence with the regulated community; process new compliance certification requests; and manage increased direct outreach and training to the regulated community.

**Staff Recommendation.** Approve as budgeted.

## Issue 17: Support Enhanced Portable Equipment Registration Program

**Governor's Proposal.** The Budget includes $447,000 ongoing from the Air Pollution Control Fund for three permanent positions to support the Portable Equipment Registration Program (PERP).

**Background.** PERP is a voluntary statewide program that registers portable engines and equipment, such as air compressors, generators, woodchippers, pile drivers, and water pumps. In 2017, CARB amended the PERP regulation to address compliance challenges, improve enforceability, and increase program fees to maintain full program funding, and obtained additional staff to implement the workload increase stemming from the amendments. When the 2018 amendments were implemented, there were some unforeseen consequences that led to larger than expected administrative workloads. This directly affects the timeline for registrants to receive registrations and come into compliance. In order to continue complying with the 30-day application completeness determination deadline and subsequent 90-day turnaround time to issue a registration as required by the PERP Regulation, and implement an electronic application submittal process, CARB is requesting (1) two Office Technician (Typing) (OT) positions, to perform data entry-related administrative tasks and handle application intake and (2) one Staff Air Pollution Specialist (SAPS) position to perform specialized assignments involving portable equipment and program implementation. CARB will fund these additional positions with fee increases as part of the 2018 regulatory amendments.

**Staff Recommendation.** Approve as budgeted.

## Issue 18: Prescribed Burning and Exceptional Events

**Governor's Proposal.** The Governor's Budget includes $4,393,000 ongoing from the Cost of Implementation Account, Air Pollution Control Fund ($3 million from the Local Assistance portion and the remaining from the State Operations portion) to continue the Prescribed Burn Reporting and Monitoring Grant Program; prescribed burn air quality monitoring support; Smoke Spotter Application; modeling support and technical assistance to assess smoke impacts; as well as positions to support the Exceptional Event Process.

**Background.** Prescribed burning is the controlled application of fire to the land to reduce wildfire hazards, clear downed trees, control plant diseases, improve rangeland and wildlife habitats, and restore natural ecosystems. To improve forest resilience and reduce the devastation of wildfires, the state has encouraged and supported the expansion the use of prescribed burning. However, prescribed burning requires air quality monitoring, smoke forecasting, and other data collection and analysis to manage the impact of smoke from prescribed fires.

The California Air Resources Board's smoke management program provides some of this expertise through regional daily burn forecasts; collects data on agricultural and prescribed burning and associated smoke emissions; and oversees and maintains the State's Prescribed Fire Information Reporting System (PFIRS).

In addition, the smoke management program provides support to local air districts to expand their prescribed burning efforts by providing grants to streamline and subsidize the permit process; funding air quality monitoring; providing a public app that informs the public of nearby prescribed burn and wildfire activity; providing smoke forecasting data and other modeling support; and supporting air districts on the Exceptional Event process, which will allow prescribed burns that affect attainment status to be excluded from consideration in the attainment designation process.

Currently, CARB provides $2 million annually for local assistance funding. However, this funding is limited-term, and the last year of funding is 2023-24. The department requests to expand that amount to $3 million; $410,000 for prescribed burn air quality monitoring and maintenance of these air quality monitors; $150,000 for the regular maintenance and updates to the Smoke Spotter Application; $150,000 for daily smoke forecasts and ongoing update/maintenance of the modeling system; and $614,000 for three positions to support smaller air districts on the Exceptional Event process.

**Staff Comments.** In California, 15 air districts are now expected to be out of attainment with the recently updated federal standards for the particulate matter 2.5 (PM 2.5). Several of these air districts are in rural areas, where prescribed burning plays a critical role in maintaining forest health and improving wildfire resilience. In order for these areas to continue prescribed burning, the state will need to provide sufficient support and technical assistance—in particular to support the Exceptional Event process—so that prescribed burning is not detrimental in these air districts' plans to comply with the federal PM2.5 standards. This will likely be an ongoing need, given that many of these rural air districts lack the staffing and resources to do these activities on their own.

**Staff Recommendation.** Approve as budgeted.

## Issue 19: Resources to Implement More Stringent PM2.5 National Ambient Air Quality Standard

**Governor's Proposal.** The Governor's Budget includes $3,842,000 ongoing from the Air Pollution Control Fund to meet the federal Clean Air Act requirements, as a result of a more stringent particulate matter (PM) 2.5 national ambient air quality standard.

**Background.** The US EPA sets standards for the allowable concentration levels of PM2.5 in ambient air. CARB is the state agency responsible for implementing programs to meet these standards. The current PM2.5 standard is set at the level of 12 ug/m3 PM2.5. CARB works with California air districts designated as not attaining these standards to develop State Implementation Plans (SIPs) containing measures and regulations designed to reduce PM2.5 concentrations. Currently, three out of 35 air districts in California are out of attainment for the 12 ug/m3 standard and are required to develop SIPs.

On February 7, 2024, the US EPA announced a final rule to strengthen the air quality standards for PM2.5—US EPA is setting the level at 9 ug/m3. According to CARB, the following areas record levels over the 9.0 ug/m3 annual PM2.5 standard based on preliminary data. This list could change slightly with final PM2.5 data and an evaluation of the impact of wildfire exceptional events. The first 3 districts on the list are the current nonattainment areas.

- South Coast Air Quality Management District*
- San Joaquin Valley*
- Northern Sierra Portola (Plumas)*
- Owens Lake (Mono County)
- Feather River Air Quality Management District
- Northern Sierra Quincy (Plumas)
- Sacramento County
- Siskiyou County
- Imperial County
- San Francisco Bay Area
- Coachella Valley
- San Diego County
- Mendocino County
- Mojave Desert San Bernardino
- Shasta County

SIPs are developed jointly with the local air district and CARB. However, CARB is responsible for meeting SIP planning requirements, including developing a comprehensive emission inventory, air quality modeling, and SIPs, in addition to providing emission reductions for mobile sources. On average, this process takes between 3-4 years per region and a significant level of staff and technical resources.

The new SIPs will be due 18 months after the US EPA determines regional non-attainment designations for the new standards—which will be about mid-2026. This is a very rapid timeline, as SIPs typically take 3 to 4 years to develop. If a nonattainment area fails to submit the required SIP, US EPA will issue a failure to submit notice, and sanction clocks will begin. The first sanction will begin in 18 months, where new or modified stationary sources in the nonattainment area will need to offset their emissions at a ratio of 2 to 1. In 24 months, highway sanctions will begin in which federal funds for transportation projects will be prohibited except for safety, transit, and beneficial air quality projects.

In order to meet the deadline to develop SIPs for the newly out of attainment regions, CARB requests $2.85 million for 12 full-time permanent positions in 2024-25 and ongoing, and $1 million for one-time air measurement equipment purchases in 2024-25, and an additional $1 million in 2025-26 and ongoing for air quality modeling computing resources ($500,000) and research ($500,000).

**Staff Recommendation.** Approve as budgeted.

## Issue 20: Southern California Headquarters Building Operations & Maintenance Contracts

**Governor's Proposal.** The Governor's Budget includes $6,290,000 in 2024-25, $9,126,000 in 2025-26, and $9,586,000 in 2026-27 and ongoing to operate and maintain CARB's Southern Headquarters Building.

**Background.** In 2021, CARB completed building their Southern California Headquarters building in Riverside. This new facility gave CARB the ability to consolidate six previously existing Southern California locations, into a single location that houses more than 400 employees.

The building includes an extended range of dedicated test cells for testing light-duty and heavy-duty vehicles, an advanced chemistry laboratory, a workspace for accommodating new test methods for future generations of vehicles, space for developing enhanced onboard diagnostics and portable emissions measurement systems, visitor reception and education areas, a media center, flexible conference areas, and a large public auditorium.

Under standard state operations, the Department of General Services (DGS) would assume responsibility for building management upon completing newly constructed state-owned buildings. However, in November 2019, DGS confirmed that they do not have the staff necessary to maintain such a technical facility.

As such, CARB requests contract funding of $6.1 million in 2024-25, $9.0 million in 2025-26, and $9.4 million in 2026-27 and ongoing for building management, maintenance, custodial, security, and landscaping services for the facility. The building management contractor will manage critical facility systems (such as the photovoltaic system) and ensure equipment warranties remain in effect to ensure the facility achieves the Zero Net Energy (ZNE) rating.

In addition, CARB requests 1.0 permanent full-time Staff Services Analyst/Associate Governmental Program Analyst (SSA/AGPA) position that will be located at the Southern HQ locations to assist the Southern Facilities Unit (SFU) with Building Management and Maintenance Contract oversight and the Facilities Services Section (FSS) team with daily duties.

**Staff Recommendation.** Approve as budgeted.

**Issue 21: Climate Corporate Data Accountability Act: Chapter 382, Statutes of 2023 (SB 253) and Climate-Related Financial Risk: Chapter 383, Statutes of 2023 (SB 261)**

**Governor's Proposal.** The May Revision includes $8.4 million for 28.0 permanent positions, including $1.2 million in contract funds and $500,000 in estimated litigation costs in 2024-25; $12.3 million for 40.0 permanent positions and $3.2 million in contract funds in 2025-26; and $13.9 million for 42.0 permanent positions and $4.3 million in contract funds in 2026-27 and ongoing. Once established, funding will be provided by two new funds: the Climate Accountability and Emissions Disclosure Fund and the Climate-Related Financial Risk Disclosure Fund, with 2024-25 and 2025-26 costs initially funded by a loan from the Greenhouse Gas Reduction Fund (GGRF). Beginning in 2026-27, the requested funding from the Greenhouse Gas Reduction Fund will be phased out, fully repaid, and replaced by two statutorily authorized new funds that will generate revenue in the outyears: the Climate Accountability and Emissions Disclosure Fund (for SB 253), and the Climate-Related Financial Risk Disclosure Fund (for SB 261). The requested positions and funding will be used to implement CARB's responsibilities for rulemaking, development and implementation of the requirements under Senate Bill (SB) 253, the Climate Corporate Data Accountability Act (Chapter 382, Statutes of 2023), and SB 261, (Chapter 383, Statutes of 2023), referred to here as the Climate Related Financial Risk Disclosure Act. In addition, the trailer bill provides cleanup amendments.

**Staff Recommendation.** Approve as budgeted. Approve placeholder trailer bill language.

### Issue 22: Heavy-Duty Inspection and Maintenance Program (HD I/M) for Continued Positions (SB 210)

**Governor's Proposal.** The May Revision includes $1.8 million in ongoing funding from the Truck Emissions Check (TEC) fund to support 10.0 positions established in the 2022 Budget Act (Chapter 43, Statutes of 2022). This request allows CARB to continue implementing and enforcing the Heavy-Duty Inspection and Maintenance (HD I/M) program.The 2022 Budget Act provided one-year funding to implement SB 210 and 10 permanent positions. The positions were granted to initiate the first phase of the HD I/M program, which includes field enforcement efforts and the use of CARB's remote emissions monitoring devices. The 10.0 positions for this effort were originally funded by the Air Pollution Control Fund as the TEC fund had not yet been established. Fee collection into the TEC started in 2023-24 and is now accumulating revenues by the fees collected through the HD I/M program. This proposal will move the funding for those positions to the TEC fund.

**Staff Recommendation.** Approve as budgeted.

### Issue 23: Clean Cars 4 All

**Legislative Proposal.** The Legislature proposes to redirect $75 million from the statewide Clean Cars 4 All (CC4A) program and $30 million from the Clean Vehicle Assistance Program (CVAP) to the CC4A programs run by local air districts. The air district CC4A programs have seen an increased demand due to the closure of the Clean Vehicle Rebate Program (CVRP) program and increased availability of ZEVs in the secondhand market. Some air districts are projecting they will take their last applications in early summer. CARB has not yet launched their statewide CC4A program which covers 15% of the state that is not otherwise covered by an air district. This maintains $114 million from the 2022 and 2023 Budget Acts to implement the statewide CC4A program.

**Staff Recommendation.** Approve Legislative proposal.

## 8660 PUBLIC UTILITIES COMMISSION

### Issue 24: California Advanced Services Fund Local Assistance Budget

**Governor's Proposal.** The Budget proposes to increase the local assistance budget authority from the California Advanced Services Fund (CASF) program for the California Public Utilities Commission (CPUC) to $136.2 million in 2024-25 and ongoing. In addition, the administration requests budget bill language which makes expenditure authority contingent on the CPUC collecting sufficient revenue.

**Background.** The CASF program funds broadband infrastructure projects. It is funded by a single flat fee per access per access line, which applies to all telephone corporations. In 2021, AB 14 (Aguiar-Curry, Chapter 685) and SB 4 (Gonzalez, Chapter 671) extended the CASF program, and provided the CPUC the authority to collect up to $150 million for the program. Since then, CPUC has made changes to the surcharge mechanism that generates revenue for the CASF program, leading to the department now able to collect the full amount.

However, currently, CPUC only has the budget authority for $72.6 million for the program. There is growing demand for CASF—for example, in 2023, CPUC received 74 applications requesting $527 million total. Given the increasing demand for CASF, the CPUC requests the budget authority to increase to match the forecasted revenue. In addition, since the revenue mechanism is relatively new, the CPUC requests language to make the expenditure authority contingent on collecting sufficient revenue.

**Staff Recommendation.** Approve as budgeted.

## Issue 25: Gas Transmission Pipeline Safety Staffing

**Governor's Proposal.** The Governor's Budget includes $550,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to ensure gas operators comply with recent federal gas transmission pipeline safety mandates.

**Background.** The Pipeline and Hazardous Materials Safety Administration (PHMSA) is a federal agency that regulates transportation of energy and other hazardous materials. PHMSA requires the CPUC's Gas Safety and Reliability Branch (GSRB) to review, at least once every five years, the associated procedures, implementation plans, field facilities, and records that gas operators have developed and implemented to address the federal mandates.

In recent years, the PHMSA added and revised several components of federal pipeline safety regulation. According to the CPUC, these enhanced regulations increase the GSRB workload to review documents, conduct field inspections, and other regulatory activities to provide oversight to gas operators. As a result, the CPUC requests two and a half Utilities Engineer positions to address this increased workload.

**Staff Recommendation.** Approve as budgeted.

## Issue 26: IT Asset Tracking and Management System

**Governor's Proposal.** The Governor's Budget includes $300,000 ongoing from various special funds for maintenance and operation costs to sustain an information technology hardware/software asset management system. Previously, the CPUC's Information Technology Services Division (ITSD) has used multiple manual spreadsheets to track IT assets, which is both labor intensive and error prone. In addition, this is not incompliance with the State Administrative Manual. The California Department of Technology has also identified this practice to be improved in previous audits. According to the department, this funding will allow the CPUC to more efficiently and accurately track IT assets, and avoid property loss, misallocation, and inflated replacement costs.

**Staff Recommendation.** Approve as budgeted.

**Issue 27: Permanent Position Technical Adjustment**

**Governor's Proposal.** The Governor's Budget requests permanent position authority for fourteen positions across the Communication, Energy, Legal, and Utility Audits. Risk, and Compliance Divisions. In the 2018-19 budget, the CPUC received ongoing funding for these fourteen positions, but did not receive position authority. According to the department, this was to provide the CPUC with administrative flexibility to conduct its statutory obligations. The CPUC has determined that these fourteen positions are necessary on an ongoing basis to continue addressing the workload associated with the fourteen positions.

**Staff Recommendation.** Approve as budgeted.

**Issue 28: Reauthorization of Appropriation for CPUC Respond to Utility Restructurings and Securitizations**

**Governor's Proposal.** The Governor's Budget includes $2,800,000 from the PUCURA for an active legal services contract to provide advice and representation on corporate and utility restructuring, finance, securitization, and bankruptcy matters.

**Background.** In recent years, several investor-owned utilities faced increasing costs and liabilities from wildfires, which has affected the financial condition of these utilities. For example, Pacific Gas & Electric filed a voluntary Chapter 11 Bankruptcy proceeding in 2019 as a result of the 2017-18 wildfires. In this situation, the CPUC used bankruptcy counsel through a legal services contract to develop a case plan for the bankruptcy. As PG&E continues to recover from this bankruptcy, the CPUC also has to continue reviewing complex financial transactions, such as issuing bonds and transferring assets into a subsidiary company.

In the 2019-20 budget, CPUC received $28 million from PUCURA for a legal services contract related to utility bankruptcy and securitization matters. In the 2021-22 budget, $7.5 million of the original amount was reappropriated to continue with the legal services contract. Of the reauthorized $7.5 million, approximately $5 million remains unexpended. This remaining $5 million is set to expire on June 30, 2024. Of this amount, the CPUC requests to reappropriate $2.8 million in this request.

According to the department, this funding will allow CPUC to retain restructuring and securitization counsel as the department provides ongoing oversight of the complex financial transactions by the investor-owned utilities. CPUC attorneys lack subject matter expertise relating to bankruptcy, insolvency, and bond financing matters, and retaining these outside counsel services is necessary to ensure CPUC can adequately and responsibly represent Californians' interests in these complex and time sensitive transactions.

**Staff Recommendation.** Approve as budgeted.

## Issue 29: Autonomous Vehicle Transportation Regulation

**Governor's Proposal.** The Governor's Budget includes $210,000 ongoing from the Public Utilities Commission Transportation Reimbursement Account (PUCTRA) to fund one position to develop and implement regulations for autonomous vehicle (AV) passenger services.

**Background.** Both CPUC and the Department of Motor Vehicles (DMV) have regulatory authority over AV operations. Whereas DMV assesses whether AVs operate safely on public roads in California, CPUC focuses on whether the AV transportation service provider can safely transport passengers.

CPUC currently has four AV permitting programs: (1) two pilot programs, one drivered and one driverless; and (2) two deployment programs, one drivered and one driverless. Pilot programs do not allow AV companies to charge monetary compensation for rides in test AVs, but deployment programs do allow companies to charge fares.

In addition, the CPUC has open Autonomous Vehicle (AV) rulemaking activities in rulemaking proceeding R.12-12-011, including unresolved policy questions on enhanced AV data reporting. The department also reports staff are currently developing recommendations on further AV rulemaking scope, which could cover passenger safety or other topics in a successor proceeding, to be opened as early as 2024. There are other AV-related regulatory workload, such as application review for the permitting programs, development of compliance and enforcement referral protocol, public engagement, among other activities.

The CPUC requests one Public Utility Regulatory Analyst V position to lead the AV program, support the related rulemakings, and address the aforementioned workload. These efforts are currently led by one PURA V, whose position was authorized to cover both AV and TNC rulemaking activities in the 2022-23 budget, but has been fully redirected to the AV Program rather than rulemaking for both AVs and TNCs (as originally intended for this position). If granted this position, CPUC will redirect the existing position to TNC rulemaking activities and the new position to the AV program.

**Staff Recommendation.** Approve as budgeted.

## Issue 30: Ongoing Implementation of Broadband for All

**Governor's Proposal.** The Governor's Budget includes $9,929,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) to fund 46 existing positions and four new permanent positions to continue implementing broadband programs.

**Background.** The 2021-22 budget included $6 billion over three years on broadband infrastructure. This plan included $2 billion for Last-Mile Projects and $750 million for the Broadband Loan Loss Reserve Fund. The Last-Mile Projects program provides grants to ISPs, public entities, and other organizations to fund last-mile infrastructure projects that connect unserved and underserved communities and households to middle-mile infrastructure. The Broadband Loan Loss Reserve Fund provides local government entities and nonprofit organizations with grants to help them finance broadband deployment projects. Both programs are implemented by the CPUC.

To implement these new broadband infrastructure programs, the 2021-22 budget also provided CPUC limited-term funding for 46 permanent positions and four limited-term positions. The limited-term funding availability was only budgeted for three fiscal year periods (2021-22, 2022-23, and 2023-24). At the time, the funding and positions were provided on a limited-term basis because these programs were new—CPUC would return with a request to establish permanent funding once they had a better assessment of the ongoing workload.

Since then, funding for broadband infrastructure has expanded, particularly at the federal level. For example, the federal government is currently implementing the Broadband Equity Access and Deployment (BEAD) program, which is expected to provide funding over the next decade. (However, BEAD funding will include some set aside for program implementation, but CPUC will only receive those funds once the state application is approved by the federal government.) In addition, the state funding for broadband infrastructure programs at the CPUC and California Department of Technology is proposed to be spread across the next several years.

**Staff Recommendation.** Approve the proposed positions and funding on a three-year limited-term basis.

## Issue 31: Intervenor Compensation Programs Claims Support

**Governor's Proposal.** The Governor's Budget includes $280,000 ongoing from various special funds for two Associate Governmental Program Analyst (AGPA) positions to support the Intervenor Compensation (Icomp) program.

**Background.** The Icomp program reimburses certain groups, ranging from community-based to business, for their substantial contribution and participating in the CPUC's regulatory decision making process. The program is largely funded by ratepayers with a small portion funded by utility user fees. Public Utilities Code Section 1804(e) requires the CPUC to resolve and pay Icomp program claims within 75-days of filing. For claims not resolved within the 75-day statutory period, the intervenors accrue interest for payments that they eventually receive.

Historically, the CPUC has not been able to meet the 75-day deadline. As of February 2024, the department has 124 unresolved Icomp program claims, and 110 claims have already waited for 75 days or longer. However, this is an improvement from prior years.

The CPUC resolved more claims than it received in 2023 and continued to reduce the total number of unresolved claims. At the start of 2023, the CPUC had 209 pending ICOMP claims. In 2023, the CPUC received an additional 115 total claims. Recent Legislative approval authorizing the CPUC to hire and dedicate additional resources to ICOMP claims helped the CPUC to resolve 182 ICOMP claims in 2023, reducing the total number of ICOMP claims by 67. This is the most claims the CPUC has resolved in a single year in program history. This is an acceleration from 2022 when 147 claims were resolved.

In the 2022-23 budget, CPUC received four new permanent positions and limited-term funding for two AGPA positions for Icomp program claims support. Since then, CPUC has been able to hire for the four permanent positions, but has not been successful with hiring for the limited-term positions. The department requests to make these positions permanent, to more easily recruit and hire, and ultimately, to help address the Icomp program claims workload so that intervenors are more promptly reimbursed.

**Staff Recommendation.** Approve, but require reporting through the following provisional language: "The California Public Utilities Commission shall provide three reports on the Intervenor Compensation Program, including the number of processed claims, the number of unresolved claims, and the number of claims not resolved within the existing 75-day statutory timeframe. The first report shall cover the period beginning August 1, 2024 and be submitted to the Joint Legislative Budget Committee no later than October 30, 2024, with additional reports covering the preceding 3-month periods due to the JLBC on January 30, 2025 and April 30, 2025."

## Issue 32: Ongoing Support for Clean Energy Resiliency

**Governor's Proposal.** The Governor's Budget includes $3,640,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) for 16 positions and resources to continue implementing SB 100 (De León, Chapter 312, Statutes of 2018).

**Background.** In the 2021-22 budget, the CPUC requested limited-term funding of $13,704,000 across three years, for 18 positions to implement SB 100. Because this program was so new, the department originally requested limited-term funding, acknowledging at the time supplemental funding may be requested in the 2024-25 budget cycle.

The last several years have provided the department a better understanding of the workload associated with implementing SB 100, and requests the following 16 positions:

- Energy Division (ED)
  - One (1.0) Program and Project Supervisor (PPS)
  - Five (5.0) Public Utilities Regulatory Analyst (PURA) V
  - One (1.0) PURA IV
  - Three (3.0) PURA III
  - One (1.0) Senior Utilities Engineer (Specialist) (SUE)

- Legal Division
  - Two (2.0) Attorney V (1 Advocacy and 1 Advisory)
  - Two (2.0) Attorney IV (1 Advocacy and 1 Advisory)
- Information Technology Services Division (ITSD)
  - One (1.0) Information Technology Specialist II (ITS II)

All of these positions with the exception of two in the Legal Division were funded in the original 2021-22 proposal. The two positions in the Legal Division—ALJ position and the Attorney III position—warranted ongoing funding due to workload levels. In addition, this proposal further differs from the original 2021-22 proposal in that there is no request for ongoing contract budget.

The majority of the positions are under the Energy Division, across the Integrated Resource Plan (IRP); Demand Response (DR); Grid Planning, Energy Storage; Resource Adequacy and Procurement Oversight (Electric Market Design); and Energy Resource Modeling (ERM) sections. More specifically, these positions support the planning and procurement processes and tools to meet the renewable energy procurement requirements and the goal of 100 percent clean energy, to implement SB 100.

The remaining positions are in Legal and Information Technology Services Divisions. The Legal Division positions advise staff and decision makers and represent ratepayers in Commission proceedings, particularly related to procurement and renewable energy. The one position in the IT division will support data collection and analytical work related to SB 100 reports and other relevant activities.

**Staff Recommendation.** Approve as budgeted.

### Issue 33: California Lifeline Program

**Governor's Proposal.** The May Revision provides an update to the Universal LifeLine Telephone Service Program (California LifeLine Program). CPUC requests $376,984,000 for fiscal year 2024-25 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities (Pub. Util.) Code section 871 et seq. Specifically, the California LifeLine Program requests: $346,927,000 for local assistance budget to reimburse claims from participating service providers that offer discounted phone service to program participants and $30,057,000 for state operations budget to administer the Program. The above request would represent an overall budget increase of $31,023,000 and 8.97 percent from the amounts appropriated in the 2023 Budget Act for the California LifeLine.

**Staff Recommendation.** Approve as budgeted.

### Issue 34: Broadband Infrastructure: Mapping (Assembly Bill 286)

**Governor's Proposal.** The May Revision includes $1,333,000 from the Public Utilities Commission Utilities Reimbursement Account to implement Chapter 645, Statutes of 2023 (AB 286). AB 286 requires the CPUC to update their Broadband Map to identify, for each address in the state, each provider of broadband services that offers service at the address and the maximum speed of broadband services offered; include a feature to allow users to submit a verified speed test at their location; add five new features to collect new public feedback information, obtain consent to make this information publicly available, and display he information at the address level on the map; and to validate the new public feedback collected before using it as evidence in a proceeding. CPUC requests $390,000 ongoing for two positions; $141,000 annually for three years for one (1.0) temporary staff; $750,000 ongoing for consultant costs; $25,000 one-time for training and equipment; and $27,000 ongoing for equipment maintenance and licenses to implement AB 286.

**Staff Recommendation.** Approve as budgeted.

### Issue 35: Electricity: transmission planning and permitting (Senate Bill 319)

**Governor's Proposal.** The May Revision includes $220,000 ongoing and $389,000 annually for two years from the Public Utilities Commission Utilities Reimbursement Account for implementation of Chapter 390, Statutes of 2023 (SB 319). SB 319 requires the joint agencies—California Public Utilities Commission (CPUC), California Energy Commission (CEC), and California Independent System

Operator (CAISO)—to keep their workplan and December 23, 2022, Memorandum of Understanding (MOU) updated to coordinate on the timely development of resources, resource interconnections, and needed transmission infrastructure to meet the state's energy and climate goals on an ongoing basis. The CPUC requests $220,000 ongoing for one permanent Utilities Engineer position and $389,000 on a two-year limited-term basis for one Public Utilities Regulatory Analyst (PURA) V and one PURA III.

**Staff Recommendation.** Approve as budgeted.

### Issue 36: Oversight of Expanded California Rail Transit Systems and New Federal Mandates

**Governor's Proposal.** The May Revision includes $1,398,000 ongoing for seven positions from the Public Transportation Account (PTA) to address permanent increased workload from the expansion of rail transit systems and meet new federal requirements on establishing a risk-based inspection program. Since 2019, the number of Rail Transit Agencies (RTAs) in California increased from 13 to 16, with more systems coming online in the near future. The Federal Transit Administration (FTA) has also recently issued new federal mandates and the California Public Utilities Commission (CPUC) requires new, permanent resources to ensure public safety and perform its statutorily mandated activities, respond to the growth in rail transit and perform its oversight function as the designated state safety oversight program. To address this new and ongoing permanent workload, RSD requests $1,398,000 in ongoing budget authority for seven positions from the PTA. Specifically, the CPUC requests the following positions: one Program and Project Supervisor, one Senior Utilities Engineer (Specialist), one Utilities Engineer, one Associate Transportation Operations Supervisor, one Associate Railroad Track Inspector, one Associate Railroad Equipment Inspector, and one Associate Signal and Train Control Inspector. As with other positions in the Rail Transit Safety Branch, up to 80% of these costs may be reimbursed by the Federal Transit Administration grant program, pending availability of grant funds.

**Staff Recommendation.** Approve as budgeted.

### Issue 37: Powering Up Californians Act (Senate Bill 410)

**Governor's Proposal.** The May Revision includes $2,166,000 ongoing from the Public Utilities Commission Utilities Reimbursement Account for seven positions, consultant services, training, travel, equipment, and software resources to implement the mandates of Chapter 394, Statutes of 2023 (Senate Bill 410) to oversee a process to reform and improve the rules that govern customer energization requests and related cost recovery from ratepayers. SB 410 requires the CPUC to establish by September 30, 2024, energization time periods for electric IOUs to connect new customers to the electrical grid and upgrade the service of existing customers. SB 410 also requires the CPUC to establish a process for customers to report energization delays to the Commission, as well as various IOU reporting requirements. Finally, the CPUC is required to authorize a ratemaking mechanism that the IOU can use for energization projects that exceed the costs projected in their authorized spending for energization. To implement SB 410, CPUC requests funding for facilitating a robust stakeholder process, managing new utility reporting requirements, conducting analysis and implementing ongoing process improvements based on that analysis, organizing public workshops and meetings, enhanced public engagement through energization delay reporting, and additional cost recovery oversight.

**Staff Recommendation.** Approve as budgeted.

**Issue 38: Public Advocates Office – Implementation of SB 410 (Statues of 2023) and State Auditor**

**Governor's Proposal.** The May Revision includes $384,000 from the Public Utilities Commission Public Advocates Office Account for one Public Utilities Regulatory Analyst (PURA) V position and one PURA III position to implement (i) recommendations in the State Auditor's August 2023 Report "Electricity and Natural Gas Rates" and (ii) SB 410 (Chapter 394, Statutes of 2023). The requested positions will augment the Office's review of the reasonableness of the electric utilities' costs, their proposed ratemaking mechanisms and costs recovery requests, and utility distribution system planning. The PURA V position is necessary to implement the State Auditor's recommendations. Specifically, the State Auditor recommends that the Office increase the number of utility ratemaking mechanisms, i.e., balancing accounts, it reviews. It also recommends that we increase our efforts to gain additional assurance that the utilities actually performed the work for which they seek cost recovery. The PURA III position is necessary to implement SB 410 because the actions required by the bill could have direct and significant rate and bill impacts on over 80% of California electric utility customers at a time when energy rates and overall customer bills have significantly increased and have increased faster than the rate of inflation.

**Staff Recommendation.** Approve as budgeted.

**Issue 39: Public utilities: timely service: customer energization (Assembly Bill 50)**

**Governor's Proposal.** The May Revision includes $453,000 ongoing for two positions to support the implementation of Chapter 317, Statutes of 2023 (AB 50) to make improvements to the customer energization process. AB 50 directs the CPUC to determine the criteria for timely service for electric customers to be energized; establish annual reporting requirements for electrical corporations to report customer energization projects; convene an annual public workshop for electrical corporations to discuss their reports with interested stakeholders; and collect annual information from the electrical corporations. To successfully implement the AB 50 provisions, the CPUC requests one Public Utilities Regulatory Analyst V and one Administrative Law Judge, PUC. Implementation of the provisions of this statute will be a substantial undertaking that will include a robust stakeholder process, managing new utility reporting requirements, conducting analysis and implementing ongoing process improvements based on that analysis, and organizing public workshops and meetings.

**Staff Recommendation.** Approve as budgeted.

**Issue 40: Railroads: contract crew transportation vehicles (Senate Bill 757)**

**Governor's Proposal.** The May Revision includes $328,000 ($200,000 one-time and $128,000 ongoing) from the Public Utilities Commission Transportation Reimbursement Account to implement Chapter 411, Statutes of 2023 (SB 757). SB 757 requires the CPUC to adopt regulations to add new statutory terms, definitions, and requirements related to railroad crew transportation and to revise CPUC General Order 115-G, Protection against liability required for all Charter-party carriers of passengers (General Order 115-G) to establish the statute's new insurance requirements. The CPUC requests $200,000 one-time to issue a contract to modify the CPUC Transportation Carrier Portal to incorporate the changes mandated by SB 757, $20,000 ongoing to support travel for statewide safety assurance compliance inspections, and $108,000 for ongoing licensing and storage related to Salesforce.

These resources will enable the CPUC to adopt and revise regulations, fund issuance of a new contract to modify the TCPortal to accommodate the new “crew transportation operator” subcategory, and fund ongoing system maintenance and operations costs including cloud subscription fees, product licensing fees, and storage fees to support the system changes required by SB 757 as well as to fund additional travel for statewide safety assurance compliance inspections for this new carrier subcategory.

**Staff Recommendation.** Approve as budgeted.

**Issue 41: Renewable Energy: Department of Transportation: evaluation (Senate Bill 49)**

**Governor’s Proposal.** The May Revision includes $110,000 one-time from the Public Utilities Commission Utilities Reimbursement Account for contract(s) to support the Department of Transportation’s evaluation of major expansion of use of the Caltrans right-of-way for energy, energy storage, and transmission and distribution projects, as per Chapter 379, Statutes of 2023 (SB 49). SB 49 requires, by December 31, 2025, the Department of Transportation (Caltrans), in coordination with the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) to evaluate the issues and policies impeding development of land within the Caltrans rights-of-way (ROW) for renewable energy, energy storage, and electric transmission and distribution facilities. This request is for $110,000 one-time for a third-party contract(s) for analysis support and/or contracts for analytical tools to help determine feasibility and impacts of some development of solar and other electricity infrastructure on highway ROW that will guide the development of Caltrans’s evaluation.

**Staff Recommendation.** Approve as budgeted.

**Issue 42: Support for Broadband Equity, Access, and Deployment (BEAD) Program**

**Governor’s Proposal.** The May Revision includes $1,860,000,000 in budget authority under the Federal Trust Fund for the Broadband Equity, Access, and Deployment (BEAD) program grant funds awarded to California in the Infrastructure Investment and Jobs Act (IIJA) of 2021 and 31 permanent positions. Additionally, the CPUC requests provisional language for the CPUC to have budget authority for the full term of the BEAD program. The BEAD program is a federal grant program that prioritizes unserved locations that have no internet access or that only have access to speeds under 25/3 megabits per second (Mbps) and underserved locations that have access to speeds under 100/20 Mbps. The goal is to ensure complete coverage to all BEAD-eligible unserved locations in California. In June 2023, the NTIA announced its approximately $1,860,000,000 BEAD funding allocation for California. The CPUC estimates a staffing resource need of thirty-one (31) permanent positions to support the development, oversight, and monitoring of the implementation of California’s BEAD program.

**Staff Recommendation.** Approve the budget authority, but make 31 positions limited-term. In addition, add budget provisional language that requires (1) more detailed information about the standalone construction projects funded by the current spending plan, and (2) a business plan for the middle-mile network that explains how it will be maintained and operated going forward.

***Senate Budget and Fiscal Review—Scott Wiener, Chair***
**SUBCOMMITTEE NO. 2** **Agenda**

**Senator Josh Becker, Chair**
**Senator Catherine Blakespear**
**Senator Brian Dahle**

**Thursday, May 30, 2024**
**Upon Adjournment of Floor Session**
**1021 O Street, Room 2200**

Consultants: Diego Emilio J. Lopez, Eunice Roh, and Joanne Roy

# PART C



*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

# VOTE-ONLY

## VARIOUS DEPARTMENTS

### Issue 1: Cap and Trade Discretionary Spending Plan

**Legislature's Proposal.** The Legislature proposes an alternative to the Governor's Cap-and-Trade Discretionary Spending Plan as shown in the figure below:

**Discretionary Cap and Trade Funding @ 2024 May Revision**

(Dollars in Millions)*

| Department | Program | MR 23/24 | LEG 23/24 | MR 24/25 | LEG 24/25 | MR 25/26 | LEG 25/26 | MR 26/27 | LEG 26/27 | MR 27/28 | LEG 27/28 | MR 28/29 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Air Resources Board | AB 617 - Community Air Protection | | | $195 | $195 | $195 | $195 | $195 | $195 | $195 | $195 | $195 |
| | AB 617 - Local Air District Implementation | | | $50 | $50 | $50 | $50 | $50 | $50 | $50 | $50 | $50 |
| | AB 617 - Technical Assistance Grants | | | $5 | $5 | $5 | $5 | $5 | $5 | $5 | $5 | $5 |
| | ZEV Programs (preexisting agreement) | | | | | $215 | $215 | $301 | $301 | $213 | $213 | |
| Secretary of Transportation | Zero Emission Transit Capital Program | (-220) | (-220) | (220) | (220) | | | $230 | $230 | $460 | $460 | |
| | Transit Inter-City Rail Capital Program and Other Transportation (Formula and Competitive (Fund Shift) | $596 | $596 | $362 | $362 | $368 | $368 | $20 | $20 | | | |
| Department of Transportation | Highways to Boulevards (Fund Shift) | | | | | $25 | $0 | $50 | $50 | | | |
| Energy Resources Conservation and Development Commission | ZEV Programs (preexisting agreement) | | | | | $385 | $385 | $299 | $299 | $387 | $387 | |
| | ZEV Fueling Infrastructure Grants (Fund Shift) | $119.5 | $119.5 | | | | | | | $99 | $99 | |
| | Drayage Trucks & Infrastructure (Fund Shift) | $157 | $157 | | | | | | | | | |
| | Transit Buses & Infrastructure (Fund Shift) | $29 | $29 | | | | | | | | | |
| | Clean Trucks, Buses, and Off-Road Equipment (Fund Shift) | $71 | $71 | | | | | | | | | |
| | Equitable Building Decarbonization (Fund Shift) | | | | $25 | | $15 | | $6 | $93 | $93 | |
| | Carbon Removal Program (Fund Shift) | | | | | $20 | $20 | | | | | |
| | Distributed Electricity Backup Assets (Fund Shift) | | | | | $200 | $200 | $180 | $180 | | | |
| | Hydrogen Grants (Fund Shift) | | | | | $40 | $40 | | | | | |
| | Demand Side Grid Support (Fund Shift) | | | $75 | $75 | $75 | $75 | | | | | |
| | Clean Energy Reliable Investment Plan (Fund Shift) | | | | | $50 | $50 | $150 | $150 | $50 | $50 | $650 |
| | Offshore Wind Infrastructure | | | | $36.0 | | | | | | | |
| Public Utilities Commission | Community Solar | | | | | $25 | $25 | | | | | $25 |
| Department of Forestry and Fire Protection | Fire Prevention Grants (Fund Shift) | | | $40 | $40 | | | | | $42 | $42 | |
| | Unit Fire Prevention Projects (Fund Shift) | | | | | | | | | $26 | $26 | |
| | Prescribed Fire Liability Pilot (Fund Shift) | | | $20 | $20 | | | | | | | |
| | Tribal Wildfire and Forest Resilience (Fund Shift) | | | | | $10 | $10 | | | | | |
| | ALERTWildfire Fire Camera Mapping System | | $6.9 | | $13.9 | | | | | | | |
| | Monitoring and Research | | $5.7 | | | | | | | | | |
| Department of Food and Agriculture | Livestock Methane Reduction (Fund Shift) | | | $17 | $17 | $7 | $7 | | | | | |
| | State Water Efficiency and Enhancement Program (Fund Shift) | | | | | | | $20.6 | $0.0 | | | |
| | California Nutrition Incentive Program | | | | $33.2 | | | | | | | |
| | Relief for Small Farmers | | $17.9 | | | | | | | | | |
| | Farm to Community Food Hubs | | $14.1 | | | | | | | | | |
| California Natural Resources Agency | Ocean Protection (Fund Shift) | | | $27.5 | $27.5 | | | | | | | |
| | Ocean Protection/SB 1 Implementation (Fund Shift) | | | | $20.0 | | | $36.8 | $41.8 | | | |
| Department of Conservation | Regional Forest & Fire Capacity (Fund Shift) | | | | | | | | | $20 | $20 | |
| | Oil Well Plug and Abandonment (Fund Shift) | | | | | | | $50 | $0 | | | |
| Department of Water Resources | Urban Flood Risk Reduction/Systemwide Flood Programs-Little Egbert Project (Fund Shift) | | | $126 | $126 | | | | | | | |
| | Oroville Pump Storage (Fund Shift) | | | $10 | $0 | $20 | $20 | $100 | $110 | $100 | $100 | |
| | Habitat Restoration (Fund Shift) | | | $102.5 | $0.0 | | | | | | | |
| | Dam Safety | | | | $50.0 | | | | | | | |
| Wildlife Conservation Board | Streamflow Program (Fund Shift) | | | $101.1 | $75.0 | | | | $27 | | | |
| | Nature Based Solution Programs (Fund Shift) | | | $42.0 | $0.0 | | | | | | | |
| | Protecting Fish and Wildlife from Changing Conditions (Fund Shift) | | | $70.0 | $0.0 | | | | | | | |
| | Watershed Climate Resilience | | | | $30.5 | | $22.2 | | $5 | | $3 | |
| Department of Fish and Wildlife | Wetland Restoration (Fund Shift) | | | $17.2 | $17.2 | | | | | | | |
| Cal EPA | Environmental Justice Action Grants (Fund Shift) | | | | | | | $5 | $5 | | | |
| Department of Toxic Substances Control | Vulnerable Community Toxic Clean-Up (Fund Shift) | | | $65.0 | $65.0 | | | $43 | $43 | | | |
| State Water Resources Control Board | Drinking Water/Wastewater (Fund Shift) | | | $322.5 | $198.5 | $30 | $30 | | | | | |
| | Water Recycling/Groundwater Clean Up | | $11.0 | | $65.4 | | $37.5 | | $21 | | $5 | |
| Office of Planning and Research | California Climate Action Corps (Fund Shift) | | | $9.4 | $0.0 | $9.4 | $0.0 | $9.4 | $0.0 | $9.4 | $0.0 | $9.4 |
| | Extreme Heat and Community Resilience | | | | $40.1 | | | | | | | |
| Various | Salton Sea (Fund Shift) | | | $72.0 | $72.0 | $3.3 | $3.3 | | | | | |
| Various | Diablo Canyon Land Conservation and Economic Development (SB 846) (Fund Shift) | | | | $40.0 | $50.0 | $10.0 | $50 | $50 | $50 | $50 | |
| Various | California Made | | $30.0 | | | | | | | | | |
| State Coastal Conservancy | Coastal Protection and Adaptation | | | | $30.0 | | | | $5 | | $2 | |
| CARB | Methane Satellites | | ($55.0) | | | | | | | | | |
| CARB | Mobile Air Monitoring | | ($30.0) | | | | | | | | | |
| | **Total** | **$973** | **$973** | **$1,729** | **$1,729** | **$1,783** | **$1,783** | **$1,794** | **$1,794** | **$1,799** | **$1,799** | **$934** |

*Does not include baseline support items for various departments.

| | MR 23/24 | MR 24/25 | MR 25/26 | MR 26/27 | MR 27/28 | MR 28/29 |
|---|---|---|---|---|---|---|
| **Total Fund Shifts** | **$972.5** | **$1,479.2** | **$907.7** | **$714.3** | **$489.4** | **$659.4** |
| Governor's Budget | $376.3 | $868.1 | $7.0 | $107.4 | $265.0 | $0.0 |
| May Revision | $596.2 | $611.1 | $900.7 | $606.9 | $224.4 | $659.4 |

**Staff Recommendation. Approve the Legislature's proposed Cap and Trade Discretionary Spending Plan.**

## Issue 2: Climate Budget Solutions

**Climate Budget Solutions.** The following figure includes the Governor's proposed Climate Budget Solutions, the Legislature's proposed Climate Budget Solutions, and staff recommendations.

*(Continue on to next page)*

# Climate Budget Solutions

| Issue # | GB/MR/LEG | Entity | Department(s) | Title | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Category | Legislative Action |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | MR | 0509 | Governor's Office of Business and Economic Development | IBank Clean Energy Transmission | 200.0 | 25.0 | | | | | Reductions | Approve |
| 2 | MR | 3125 | Tahoe Conservancy | Reversion of ADA Site Improvements | | 1.0 | | | | | Reductions | Approve |
| 3 | MR | 3860 | Department of Water Resources | Habitat Restoration | | 102.5 | | | | | Fund Shift | Reject |
| 4 | MR | 3640 | Wildlife Conservation Board | Protecting Fish and Wildlife from Changing Conditions | | 70.0 | | | | | Fund Shift | Reject |
| 5 | MR | 3640 | Wildlife Conservation Board | Nature Based Solutions Programs | | 42.0 | | | | | Fund Shift | Reject |
| 6 | MR | 3640 | Wildlife Conservation Board | Streamflow Enhancement Program | | 101.1 | | | | | Fund Shift | Approve, but delay $26.7m to 2026-27 |
| 7 | MR | 3640 | Wildlife Conservation Board | Habitat Conservation Fund-General Fund Transfer Sunset | | 45.0 | 20.0 | 20.0 | 20.0 | 20.0 | Reductions | Approve $45m PY/CY reduction, reject early sunset of $20m General Fund transfer |
| 8 | MR | 3600 | Department of Fish and Wildlife | Wetlands Restoration | | 17.2 | | | | | Fund Shift | Approve |
| 9 | MR | 0540 / 3600 / 3860 | Various | Salton Sea (Prior Investment and 2024-25 GB BCP) | | 6.8 | 65.2 | 3.3 | | | Fund Shift | Approve |
| 10 | MR | 3790 | Department of Parks and Recreation | Outdoor Equity Grants (Access Package) | | 50.0 | | | | | Reductions | Approve |
| 11 | MR | 3790 | Department of Parks and Recreation | Deferred Maintenance Funding (Access Package) | | 5.9 | | | | | Fund Shift | Approve |
| 12 | MR | 3790 | Department of Parks and Recreation | Adapting to Sea Level Rise in State Parks (Coastal Resilience Package) | | 6.7 | | | | | Reductions | Approve |
| 13 | MR | 3790 | Department of Parks and Recreation | Recreational Trails and Greenways Program | | 10.0 | | | | | Reductions | Approve |
| 14 | MR | 3900 | State Air Resources Board | Air Pollution Control Fund Loan to General Fund | | | 300.0 | | | -300.0 | Revenue/Borrowing | Approve |
| 15 | MR | 0555 | California Environmental Protection Agency | Environmental Justice Action Grants (Community Resilience Package) | | 5.0 | | | | | Fund Shift | Approve |
| 16 | MR | 3960 | Department of Toxic Substances Control | Vulnerable Community Toxic Clean-Up (DTSC fee reform package) | | 136.0 | | 85.0 | 47.5 | | Reductions | Approve |
| 17 | MR | 3960 | Department of Toxic Substances Control | Vulnerable Community Toxic Clean-Up (DTSC fee reform package) | | 65.0 | | | 42.5 | | Fund Shift | Approve |
| 18 | MR | 3340 | California Conservation Corps | Vehicle Replacements: 2022-23 Unencumbered Balance | | 0.4 | | | | | Reductions | Approve |
| 19 | MR | 3340 | California Conservation Corps | Los Padres Facility Repairs: 2021-22 Unencumbered Balance | | 0.3 | | | | | Reductions | Approve |
| 20 | MR | 0540 | Natural Resources Agency | Ocean Protection (Coastal Resilience Package) | | 27.5 | | | | | Fund Shift | Approve |
| 21 | MR | 0540 | Natural Resources Agency | Ocean Protection Council: Marine Mammal Center | | | 2.0 | 2.0 | 2.0 | 2.0 | Reductions | Reject |
| 22 | MR | 0540 | Natural Resources Agency | California Climate Information System: 2022-23 Unencumbered Balance | | 18.3 | | | | | Reductions | |
| 23 | MR | 0540 | Natural Resources Agency | Natural and Working Lands (AB 1757) Implementation: 2023-24 Unencumbered Balance | | 3.2 | | | | | Reductions | Approve |
| 24 | MR | 0540 | Natural Resources Agency | Ocean Protection Council Data, Research, and Communications: 2021-22 Unencumbered Balance (Water Resilience Package) | | 0.6 | | | | | Reductions | Approve |
| 25 | MR | 3540 | Department of Forestry and Fire Protection | Reversion of Alma Helitack Base and Hollister Air Attack Base/Bear Valley Helitack Base Acquisition Funding | 12.1 | 4.9 | | | | | Reductions | Approve |
| 26 | MR | 3540 | Department of Forestry and Fire Protection | Prescribed Fire Liability Pilot (Wildfire and Forest Resilience Package) | | | 20.0 | | | | Fund Shift | Approve |
| 27 | MR | 3540 | Department of Forestry and Fire Protection | Tribal Wildfire and Forest Resilience (Wildfire and Forest Resilience Package) | | 10.0 | | | | | Fund Shift | Approve |
| 28 | MR | 3860 | Department of Water Resources | Urban Flood Risk Reduction/Systemwide Flood Programs-Little Egbert Project | | 126.0 | | | | | Fund Shift | Approve |
| 29 | MR | 3540 | Department of Forestry and Fire Protection | California Vegetation Treatment Program (CalVTP) (Board of Forestry): 2021-22 Unencumbered Balance | | 0.3 | | | | | Reductions | Approve |
| 30 | MR | 3540 | Department of Forestry and Fire Protection | Deferred Maintenance: 2021-22 Unencumbered Balance | | 11.6 | | | | | Reductions | Approve |
| 31 | MR | 3540 | Department of Forestry and Fire Protection | Green Schoolyards: 2022-23 Unencumbered Balance (Extreme Heat Package) | | 1.7 | | | | | Reductions | Approve |
| 32 | MR | 3540 | Department of Forestry and Fire Protection | Forest Health Grants: 2021-22 Unencumbered Balance (Wildfire and Forest Resilience Package) | | 3.2 | | | | | Reductions | Approve |
| 33 | MR | 3540 | Department of Forestry and Fire Protection | Forest Inventory Analysis: 2021-22 Unencumbered Balance (Wildfire and Forest Resilience Package) | | 0.3 | | | | | Reductions | Approve |
| 34 | MR | 3540 | Department of Forestry and Fire Protection | Interagency Forest Data Hub: 2021-22 Unencumbered Balance (Wildfire and Forest Resilience Package) | | 4.2 | | | | | Reductions | Approve |
| 35 | MR | 3940 | State Water Resources Control Board | Drinking Water/Wastewater Infrastructure (Water and Drought Resilience Packages) | | 152.2 | 200.0 | | | | Fund Shift | Approve partial fund shift of $228.5m |
| 36 | MR | 3860 | Department of Water Resources | Water Storage (Water and Drought Resilience Packages) | | | | 500.0 | | | Reductions | Approve |
| 37 | MR | 3940 | State Water Resources Control Board | Per- and polyfluoroalkyl substances (PFAs) Support | | 29.1 | | | | | Reductions | Approve |
| 38 | MR | 3860 | Department of Water Resources | Drought proofing conveyance and SGMA implementation | | 1.4 | | | | | Reductions | Approve |
| 39 | MR | 3860 | Department of Water Resources | Emergency Water Tank Program | | 11.0 | | | | | Reductions | Approve |
| 40 | MR | 3860 | Department of Water Resources | Save Our Water | | 21.6 | | | | | Reductions | Approve |
| 41 | MR | 8570 | Department of Food and Agriculture | Relief for Small Farmers (2023-24 Drought and Flood CS) | | 5.0 | | | | | Reductions | Reject, restore with GGRF |
| 42 | MR | 8570 | Department of Food and Agriculture | Farm to School Program (Sustainable Agriculture Package) | | 10.0 | | | | | Reductions | Reject. Additional Leg. solution below. |
| 43 | MR | 8570 | Department of Food and Agriculture | Technical Assistance Program for Underserved Farmers (Sustainable Agriculture Package) | | 0.2 | | | | | Reductions | Approve |
| 44 | MR | 8570 | Department of Food and Agriculture | Fairs Resilience Grants | | 2.1 | | | | | Reductions | Approve |

| Issue # | GB/MR/LEG | Entity | Department(s) | Title | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Category | Legislative Action |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 45 | MR | 8570 | Department of Food and Agriculture | State Water Efficiency and Enhancement Program | | 2.8 | | | | | Reductions | Approve |
| 46 | MR | 8570 | Department of Food and Agriculture | Pollinator Habitat Program | | 0.4 | | | | | Reductions | Approve |
| 47 | MR | 8570 | Department of Food and Agriculture | Water Efficiency Technical Assistance | | 6.9 | | | | | Reductions | Approve |
| 48 | MR | 3480 | Department of Conservation | Climate Smart Land Management Program | | 7.0 | | | | | Reductions | Approve |
| 49 | MR | 3480 | Department of Conservation | Multi-benefit Land Repurposing Program | | 5.7 | | | | | Reductions | Approve |
| 50 | MR | 3940 | State Water Resources Control Board | Water Recycling/Groundwater Cleanup (Water and Drought Resilience Packages) | | | | 100.0 | | | Reductions | Approve |
| 51 | MR | 3860 | Department of Water Resources | Investments in Strategic Reliability Assets (Energy Package) | | | | 55.0 | | | Reductions | Approve |
| 52 | MR | 3860 | Department of Water Resources | Oroville Pump Storage (Energy Package) | | | 10.0 | 20.0 | 100.0 | 100.0 | Fund Shift | Approve fund shift, but delay $10m to 2026-27 |
| 53 | MR | 3360 | California Energy Commission | Carbon Removal Innovation Program (Energy Package) | | 15.0 | | | | | Reductions | Approve |
| 54 | MR | 3360 | California Energy Commission | Carbon Removal Innovation Program (Energy Package) | | 20.0 | | | | | Fund Shift | Approve |
| 55 | MR | 3360 | California Energy Commission | Equitable Building Decarbonization Program (Energy Package) | | | 53.0 | 77.0 | | | Reductions | Approve, but shift $51m to GGRF |
| 56 | MR | 3360 | California Energy Commission | Equitable Building Decarbonization Program (Energy Package) | | | | 15.0 | | | Fund Shift | Approve |
| 57 | MR | 3360 | California Energy Commission | Distributed Electricity Backup Assets (Energy Package) | 63.0 | | | | | | Reductions | Approve |
| 58 | MR | 3360 | California Energy Commission | Distributed Electricity Backup Assets (Energy Package) | 280.0 | | 25.0 | 50.0 | 25.0 | | Fund Shift | Approve |
| 59 | MR | 3360 | California Energy Commission | Hydrogen Grants (Energy Package) | | 25.0 | | | | | Reductions | Approve |
| 60 | MR | 3360 | California Energy Commission | Hydrogen Grants (Energy Package) | | 40.0 | | | | | Fund Shift | Approve |
| 61 | MR | 3360 | California Energy Commission | Demand Side Grid Support (Energy Package) | | 111.5 | | | | | Reductions | Approve |
| 62 | MR | 3360 | California Energy Commission | Demand Side Grid Support (Energy Package) | | 150.0 | | | | | Fund Shift | Approve |
| 63 | MR | 3360 | California Energy Commission | Energy Data Infrastructure & Analysis (Energy Package) | | 4.1 | | | | | Reductions | Approve |
| 64 | MR | 3360 | California Energy Commission | Fueling Infrastructure Grants (ZEV Package) | | 143.9 | | | | | Reductions | Approve |
| 65 | MR | 3360 | California Energy Commission | Equitable At-Home Charging (ZEV Package) | | 20.0 | | | | | Reductions | Approve |
| 66 | MR | 3360 | California Energy Commission | Drayage Trucks & Infrastructure (ZEV Package) | | 80.8 | | | | | Reductions | Approve |
| 67 | MR | 3360 | California Energy Commission | Clean Trucks, Buses and Off-Road Equipment (ZEV Package) | | 137.8 | | | | | Reductions | Approve |
| 68 | MR | 3360 / 3860 / 8660 / 0540 / Various | California Energy Commission | Clean Energy Reliability Investment Plan (SB 846) | | | | 100.0 | 300.0 | 500.0 | Fund Shift | Approve |
| 69 | MR | 8660 | California Public Utilities Commission | Capacity Building Grant Program (Energy Package) | | 10.0 | | | | | Reductions | Approve |
| 70 | MR | 8660 | California Public Utilities Commission | Residential Solar and Storage Program (Energy Package) | | | 50.0 | 100.0 | 100.0 | 100.0 | Reductions | Approve |
| 71 | MR | 8660 | California Public Utilities Commission | Broadband - Last Mile | | | | 200.0 | | -200.0 | Pause/Delay | Approve |
| 72 | MR | 8660 | California Public Utilities Commission | Broadband - Loan Loss Reserve | | 175.0 | 150.0 | 175.0 | | | Reductions | Approve |
| 73 | MR | Various | California Energy Commission/ State Lands Commission/ CA Coastal Commission/ Ocean Protection Council | Offshore Wind Infrastructure (Energy Package) | | 20.0 | | | | | Reductions | Reject, restore with GGRF |
| 74 | GB | 3860 | Department of Water Resources | Forecasted Informed Reservoir Operations/Improving Runoff Forecasting/Snow (Water and Drought Resilience Packages) | | | 6.8 | 6.8 | 6.8 | 6.8 | Reductions | Approved in Early Action |
| 75 | GB | 3940 | State Water Resources Control Board | Water Recycling/Groundwater Cleanup (Water and Drought Resilience Packages) | 0.0 | 174.4 | | | | | Reductions | Approve, but restore $144.9m with GGRF |
| 76 | GB | 3940 | State Water Resources Control Board | Water Recycling/Groundwater Cleanup (Water and Drought Resilience Packages) | 0.0 | 100.0 | | -100.0 | | | Delayed | Approve |
| 77 | GB | 3940 | State Water Resources Control Board | Per- and polyfluoroalkyl substances (PFAs) Support (Water and Drought Resilience Packages) | 0.0 | 71.6 | 30.0 | | | | Reductions | Approve |
| 78 | GB | 3860 / 3640 | Department of Water Resources / Wildlife Conservation Board | Watershed Climate Resilience (Water and Drought Resilience Packages) | | 0.0 | 206.6 | 25.0 | | | Reductions | Approve, but restore $60.7m with GGRF |
| 79 | GB | 3860 / 3640 | Department of Water Resources / Wildlife Conservation Board | Watershed Climate Resilience (Water and Drought Resilience Packages) Amount Partially Approved in Early Action | | 88.3 | 118.4 | | | | Reductions | Approved in Early Action |
| 80 | GB | 3860 | Department of Water Resources | Dam Safety (Water and Drought Resilience Packages) | | 50.0 | | | | | Reductions | Reject, restore with GGRF |
| 81 | GB | 8570 | Department of Food and Agriculture | On-farm Water Use and Agriculture Technical Assistance (Water and Drought Resilience Packages) | | 6.0 | | | | | Reductions | Approve |

| Issue # | GB/MR/L EG | Entity | Department(s) | Title | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Category | Legislative Action |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 82 | GB | 8570 | Department of Food and Agriculture | Relief for Small Farmers (Water and Drought Resilience Packages) | | 12.9 | | | | | Reductions | Reject, restore with GGRF |
| 83 | GB | 8570 | Department of Food and Agriculture | State Water Efficiency and Enhancement Program (Water and Drought Resilience Packages) | | 20.6 | | | | | Fund Shift | Reject fund shift and cut $20.6M |
| 84 | GB | 0650 | Office of Planning and Research | Regional Climate Collaboratives (Community Resilience Package) | | 9.8 | | | | | Reductions | Approved in Early Action |
| 85 | GB | 0650 | Office of Planning and Research | Climate Adaptation & Resilience Planning Grants (Community Resilience Package) | | 5.0 | | | | | Reductions | Approved in Early Action |
| 86 | GB | 0650 | Office of Planning and Research | Regional Climate Resilience (Community Resilience Package) | | 25.0 | 50.0 | | | | Reductions | Approve |
| 87 | GB | 0540 | Natural Resources Agency | Urban Greening (Extreme Heat Package) | | 19.9 | | | | | Reductions | Approve |
| 88 | GB | 0650 | Office of Planning and Research | Extreme Heat and Community Resilience Program (Extreme Heat Package) | | 40.1 | | | | | Reductions | Reject, restore with GGRF |
| 89 | GB | 0650 | Office of Planning and Research | Extreme Heat and Community Resilience Program (Extreme Heat Package) | | 70.0 | | | | | Reductions | Approve |
| 90 | GB | 7350 | Department of Industrial Relations | Enhanced Protections for Vulnerable Populations (Extreme Heat Package) | | 15.6 | | | | | Fund Shift | Approve |
| 91 | GB | 3930 | Department of Pesticide Regulation | Pesticide Notification | | 2.6 | | | | | Reductions | Approved in Early Action |
| 92 | GB | 0540 | Natural Resources Agency | Redondo Beach Wetlands Restoration (Nature-Based Solutions Package) | | 10.0 | | | | | Reductions | In lieu of reduction, delay by one year |
| 93 | GB | 3640 | Wildlife Conservation Board | Resource Conservation Investment Strategies (Nature-Based Solutions Package) | | 5.0 | | | | | Reductions | Approved in Early Action |
| 94 | GB | 3970 | CalRecycle | Compost Permitting Pilot Program (Circular Economy Package) | | 6.7 | | | | | Reductions | Approved in Early Action |
| 95 | GB | 0540 | Natural Resources Agency | Ocean Protection (Coastal Resilience Package) | | 35.0 | | | | | Reductions | Approve |
| 96 | GB | 0540 | Natural Resources Agency | Ocean Protection - SB 1 Implementation (Coastal Resilience Package) | | 15.0 | 10.0 | | | | Reductions | Reject, restore with GGRF |
| 97 | GB | 0540 | Natural Resources Agency | Ocean Protection - SB 1 Implementation (Coastal Resilience Package) | | 36.8 | | | | | Fund Shift | Approve |
| 98 | GB | 3760 | State Coastal Conservancy | Coastal Protection and Adaptation (Coastal Resilience Package) | | 171.1 | | | | | Reductions | Approve, but restore $37m with GGRF |
| 99 | GB | 3760 | State Coastal Conservancy | Sea Level Rise (Coastal Resilience Package) | | 220.9 | | | | | Reductions | Approve |
| 100 | GB | Various | Various | Conservancy Project Implementation in High-Risk Regions (Wildfire Package) | | 27.7 | | | | | Reductions | Approve |
| 101 | GB | 0690 | Office of Emergency Services | Home Hardening (Wildfire Package) | | 12.0 | | | | | Reductions | Approve |
| 102 | GB | 3480 | Department of Conservation | Regional Forest & Fire Capacity (Wildfire Package) | | 20.0 | | | | | Fund Shift | Approve |
| 103 | GB | 3480 | Department of Conservation | Biomass to Hydrogen/Biofuels Pilot (Wildfire Package) | | 45.5 | | | | | Reductions | Approved in Early Action |
| 104 | GB | 3540 | Department of Forestry and Fire Protection | Fire Prevention Grants (Wildfire Package) | | 82.0 | | | | | Fund Shift | Approve |
| 105 | GB | 3540 | Department of Forestry and Fire Protection | Unit Fire Prevention Projects (Wildfire Package) | | 26.0 | | | | | Fund Shift | Approve |
| 106 | GB | 3540 | Department of Forestry and Fire Protection | Prescribed Fire & Hand Crews (Wildfire Package) | | 5.3 | | | | | Reductions | Approve |
| 107 | GB | 3540 | Department of Forestry and Fire Protection | Forest Legacy (Wildfire Package) | | 3.6 | | | | | Reductions | Approved in Early Action |
| 108 | GB | 3540 | Department of Forestry and Fire Protection | Interagency Forest Data Hub (Wildfire Package) | | 2.9 | | | | | Reductions | Approved in Early Action |
| 109 | GB | 3540 | Department of Forestry and Fire Protection | Monitoring and Research (Wildfire Package) | | 5.7 | | | | | Reductions | Reject, restore with GGRF |
| 110 | GB | Various | Department of Fish and Wildlife / Department of Parks and Recreation | Stewardship of State-Owned Lands (Wildfire Package) | | 34.5 | | | | | Reductions | Approve |
| 111 | GB | 3900 | State Air Resources Board | Drayage Trucks & Infrastructure Pilot Project (ZEV Package) | | 14.2 | | | | | Reductions | Approve |
| 112 | GB | 3360 | California Energy Commission | Fueling Infrastructure Grants (ZEV Package) | | 218.5 | | | | | Fund Shift | Approve |
| 113 | GB | 3360 | California Energy Commission | Drayage Trucks & Infrastructure (ZEV Package) | | 157.0 | | | | | Fund Shift | Approve |
| 114 | GB | 3360 | California Energy Commission | Drayage Trucks & Infrastructure Pilot Project (ZEV Package) | | 9.3 | | | | | Reductions | Approve |
| 115 | GB | 3360 | California Energy Commission | Transit Buses & Infrastructure (ZEV Package) | | 28.5 | | | | | Fund Shift | Approve |
| 116 | GB | 3360 | California Energy Commission | Clean Trucks, Buses and Off-Road Equipment (ZEV Package) | | 71.3 | | | | | Fund Shift | Approve |
| 117 | GB | 3360 | California Energy Commission | ZEV Manufacturing Grants (ZEV Package) | | 7.3 | | | | | Reductions | Approve |
| 118 | GB | 3360 | California Energy Commission | Emerging Opportunities (ZEV Package) | | 7.3 | | | | | Reductions | Approve |
| 119 | GB | 8570 | Department of Food and Agriculture | Farm to Community Food Hubs Program (Sustainable Agriculture Package) | | 14.4 | | | | | Reductions | Reject, restore with GGRF |
| 120 | GB | 8570 | Department of Food and Agriculture | California Nutrition Incentive Program | | 33.2 | | | | | Reductions | Reject, restore with GGRF |
| 121 | GB | 8570 | Department of Food and Agriculture | Livestock Methane Reduction (Sustainable Agriculture Package) | | 24.0 | | | | | Fund Shift | Approve |
| 122 | GB | 8570 | Department of Food and Agriculture | Healthy Refiguration Grant Program (Sustainable Agriculture Package) | | 8.5 | | | | | Reductions | Approve |
| 123 | GB | 8570 | Department of Food and Agriculture | Enteric Methane Incentives | | 23.0 | | | | | Reductions | Delayed to 26-27 |
| 124 | GB | 3480 | Department of Conservation | Oil and Gas Well Capping (Climate Jobs Package) | | 50.0 | | | | | Fund Shift | Reject |
| 125 | GB | 3790 | Department of Parks and Recreation | Urban Waterfront Funding (Access Package) | | 12.3 | | | | | Reductions | Approve |
| 126 | GB | 3790 | Department of Parks and Recreation | Outdoor Equity Grants Program (Access Package) | | | 25.0 | | | | Reductions | Approve |
| 127 | GB | 3960 | Department of Toxic Substances Control | Vulnerable Community Toxic Clean-Up (DTSC Fee Reform Package) | | 175.0 | | -85.0 | -90.0 | | Delayed | Approved in Early Action |

| Issue # | GB/MR/LEG | Entity | Department(s) | Title | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Category | Legislative Action |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 128 | GB | 3940 | State Water Resources Control Board | Underground Storage Tank Fund Loan to General Fund | | | 200.6 | -200.6 | | | Revenue/Borrowing | Approved in Early Action |
| 129 | GB | 3970 | CalRecycle | Beverage Container Recycling Fund (Bottle Bill) Loan to General Fund | | | 0.0 | 0.0 | | | Revenue/Borrowing | Withdrawn |
| 130 | GB | 3360 | California Energy Commission | Climate Innovation Program | | | 100.0 | 225.0 | 150.0 | | Reductions | Approved in Early Action |
| 131 | GB | 3360 | California Energy Commission | Carbon Removal Innovation Program (Energy Package) | | 40.0 | | | | | Reductions | Approve |
| 132 | GB | 3360 | California Energy Commission | Food Production Investment Program (Energy Package) | | 18.8 | | | | | Reductions | Approved in Early Action |
| 133 | GB | 3360 | California Energy Commission | Industrial Decarbonization Program (Energy Package) | | 22.0 | | | | | Reductions | Approved in Early Action |
| 134 | GB | 3360 | California Energy Commission | Equitable Building Decarbonization Program (Energy Package) | | | 160.0 | 73.0 | 50.0 | | Reductions | Approve |
| 135 | GB | 3360 | California Energy Commission | Equitable Building Decarbonization Program (Energy Package) | | 86.5 | | | | | Fund Shift | Approve |
| 136 | GB | 3360 | California Energy Commission | Distributed Electricity Backup Assets (Energy Package) | | 50.0 | | -25.0 | -25.0 | | Delayed | Approved in Early Action |
| 137 | GB | 3360 | California Energy Commission | Incentives for Long Duration Storage (Energy Package) | | 56.9 | | | | | Fund Shift | Approve |
| 138 | GB | 3360 | California Energy Commission | Hydrogen Grants (Energy Package) | | 35.0 | | | | | Reductions | Approved in Early Action |
| 139 | GB | 3360 | California Energy Commission | California Electric Homes Program | | 6.4 | | | | | Reductions | Approved in Early Action |
| 140 | GB | 3360 / 3860 / 8660 / 0540 Various | California Energy Commission | Clean Energy Reliability Investment Plan (SB 846) | | | 300.0 | 400.0 | -300.0 | -500.0 | Delayed | Approve |
| 141 | GB | 3360 / 3860 / 8660 / 0540 Various | California Energy Commission | Clean Energy Reliability Investment Plan (SB 846) Amount Partially Approved in Early Action | | | 100.0 | | | | Delayed | Approved in Early Action |
| 142 | GB | 3860 | Department of Water Resources | Investments in Strategic Reliability Assets (Energy Package) | | | 55.0 | -55.0 | | | Delayed | Approved in Early Action |
| 143 | GB | 3860 | Department of Water Resources | Oroville Pump Storage (Energy Package) | | | 90.0 | 110.0 | -100.0 | -100.0 | Delayed | Approved in Early Action |
| 144 | GB | 8660 | California Public Utilities Commission | Capacity Building Grant Program (Energy Package) | | 20.0 | | | | | Reductions | Approved in Early Action |
| 145 | GB | 8660 | California Public Utilities Commission | Residential Solar and Storage Program (Energy Package) | | | 75.0 | 125.0 | -100.0 | -100.0 | Delayed | Approve |
| 146 | GB | 8660 | California Public Utilities Commission | Broadband - Last Mile | | | 100.0 | | -100.0 | | Delayed | Approved in Early Action |
| 147 | GB | 8660 | California Public Utilities Commission | Broadband - Loan Loss Reserve | | | 150.0 | 100.0 | | | Reductions | Approved in Early Action |
| 148 | LEG | 3760 | State Coastal Conservancy | Opportunity Acquisitions | 50.0 | | | | | | Reductions | Approve |
| 149 | LEG | 8570 | Department of Food and Agriculture | Farm to School Program (Sustainable Agriculture Package) | | 30.0 | | | | | Reductions | Approve $30M reduction |
| 150 | LEG | 3790 | Department of Parks and Recreation | Art in Parks | 25.0 | | | | | | Reductions | Approve |
| 151 | LEG | 650 | Office of Planning and Research | Extreme Heat Communications/ Community-Based Public Awareness Campaign | | 14.0 | | | | | Reductions | Approve |
| 152 | LEG | 0509 | Governor's Office of Business and Economic Development | Wildfire Climate Catalyst Fund | 6.0 | | | | | | Reductions | Approve |
| 153 | LEG | 3600 | Department of Fish and Wildlife | Wildlife Corridor and Fish Passage/Fish and Wildlife Protection | 16.0 | | | | -16.0 | | Delay | Approve |
| 154 | LEG | 0650 | Office of Planning and Research | Climate Adaptation and Resilience Planning Grants | 10.0 | | | | | | Reductions | Approve |
| 155 | LEG | 3540 | Department of Forestry and Fire Protection | Post-fire reforestation grants | | 25.0 | | | | | Reductions | Approve |
| 156 | LEG | Various | Various | Drought-Contingency Control Section | 17.5 | | | | | | Reductions | Approve |
| 157 | LEG | Various | Various | Aquatic Habitat and Drought Resilience and Expediting Large Scale Habitat* | 128.8 | 6.7 | 6.7 | | | | Reductions | Approve |
| 158 | LEG | 3940 | State Water Resources Control Board | Drinking Water/ Wastewater Infrastructure | 124.0 | | | | | | Reductions | Approve |
| 159 | LEG | 0540 | Natural Resources Agency | Museum Grants | 50.0 | | | | | | Reductions | Approve |
| 160 | LEG | 3540 | Department of Forestry and Fire Protection | Additional CalFire Training Facility | | | 32.0 | | | | Reductions | Approve |
| 161 | LEG | 8660 | California Public Utilities Commission | Broadband Last Mile | | | 100.0 | | 250.0 | -350.0 | Delay | Approve |
| 162 | LEG | 4700 | Community Services and Development | Energy Arrearages | 16.0 | | | | | | Reductions | Approve |
| 163 | LEG | Various | Air Resources Board/California Energy Commission | Emerging Opportunities | 7.0 | | | | | | Reductions | Approve |
| 164 | LEG | 3860 | Department of Water Resources | Central Procurement | 32.0 | | | | -16.0 | | Delay | Approve |
| 165 | LEG | 3360 | California Energy Commission | Food Production Investment Program | 6.2 | 13.8 | | | | | Reductions | Approve |
| 166 | LEG | 3360 | California Energy Commission | Industrial Decarbonization | 28.0 | | | | | | Reductions | Approve |
| 167 | LEG | 3860 | Department of Water Resources | PGE Loan for Diablo | | | 400.0 | | | | Reductions | Approve |
| 168 | LEG | 3860 | Department of Water Resources | Strategic Reserve | | | 20.0 | 75.0 | | | Reductions | Approve |
| 169 | LEG | Various | Various | Data, Research, and Communications | | 9.4 | | | | | Reductions | Approve |
| 170 | LEG | 0540 | Natural Resources Agency | Water Resilience Projects | | 124.0 | | | | | Reductions | Approve |

**Staff Recommendation. Approve as noted in Legislative Actions.**